Information Regarding 20% Limitation of Budget for Lobbying Activities and 5% Limitation of Budget for Grassroots Lobbying Applicable to 501(c)(3) Entities that Make the 501(h) Election

Under the Internal Revenue Code, a Section 501(c)(3) entity may maintain that designation as long as its lobbying and grassroots lobbying activities are not deemed to be “substantial.” To determine whether those activities are not substantial, an entity may make an election under Section 501(h) which allows the entity to measure its lobbying and grassroots lobbying activities based on the costs incurred for those activities as compared to the entire budget of the entity. Specifically, the costs for lobbying activities may not exceed 20% of the entity’s budget in any year, and the costs for grassroots lobbying may not exceed 5% of the entity’s budget in any year for organizations the size of most Leagues, including the LWVCC.

The LWVCC spends few dollars in any year on lobbying activities. Generally, the only such expenditures would be for printing of studies/reports and related materials that would be used to urge action by a legislator or the legislator’s staff. Any printing costs for the HARD report earlier this fiscal year would likely not constitute lobbying since the League did not urge any particular action, but presented the report for the Commissioners’ information and consideration.

Following are the definitions contained in Appendix V, pp. 29 – 30 of the paper prepared by Thomas Carson for the League of Women Voters on the Conversion from 501(c)(4) to 501(c)(3) in June, 2018:

Lobbying:

Direct lobbying occurs when the League communicates with a legislator or legislative staff about a specific piece of legislation and reflects a view for or against that legislation. Specific legislation can include proposed legislation or legislation that has already been introduced in a legislative body.

For example, a letter from a nonprofit to a senator urging her to support a legislative ban on hunting dolphins would be direct lobbying.

Direct lobbying also encompasses any communication with the general public expressing a favorable or unfavorable view about a ballot initiative, referendum, bond measure, or similar procedure to be included on a ballot. In these cases, the public assumes the role of a legislative body by being the ones deciding public policy.

Grassroots Lobbying:

By contrast, grassroots lobbying is a communication with the general public (including League members) that reflects a favorable or unfavorable view on specific legislation and encourages the recipients to contact their legislative representatives or staff in order to influence that legislation.

An organization encourages the general public to take action when it:
• Asks them to contact their legislator
• Provides the name, telephone number, email address, or other contact information of the legislator
• Offers a mechanism to contact the legislator (such as a postcard or petition), or
• Identifies legislators who will be voting on the legislation, who are undecided or opposed to the organization’s position, or are the recipient’s legislators

Prepared by Priscilla Mims and based on information contained in Thomas Carson’s paper identified above and information provided by Katten, Muchin, LLP in response to a question on how the 5% limitation on grassroots lobbying is calculated. March 29, 2020