

501c Committee Final Report

March 2024

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Introduction

Around 2013, the League of Women Voters of Oregon (LWVOR) made the decision to convert its nonprofit structure and begin operating primarily as a 501(c)(3) organization, while maintaining an inactive 501(c)(4). According to Norman Turrill, the president at the time, two of the primary reasons were to encourage contributions by making them tax-deductible and to simplify administration by managing one organization rather than two separate ones. Many local Oregon Leagues also converted to 501(c)(3)s.

In 2015, League of Women Voters of Portland (LWVPDX) members were presented with a proposal to change our League’s dual structure, but the board-approved proposal was not approved at the Annual Membership Meeting. As a result, there was no change to the existing dual structure, a 501(c)(4) with a 501(c)(3) Education Fund.¹

In the intervening years, concerns have continued about obstacles and complexities created by the dual structure. These concerns led the LWVPDX Board to establish the 501c Committee at its retreat in August 2023.

The committee was asked to investigate alternatives to the League’s current structure and determine whether changing the structure would better serve the organization moving forward. Committee members were required to be undecided on the issue. At the request of the president, three board members – Pamela Clark, Chris Cobey, and Paulina Leperi – agreed to participate. Two additional volunteers – Melanie Billings-Yun and Shelly Rosenberg – joined the committee shortly afterward.

The five committee members agreed to meet from September 2023 through April 2024. They committed to undertaking research and analysis using sources such as the IRS code and other relevant publications, experts including CPAs, attorneys, leaders of other nonprofits, and materials that were collected when the issue of the League’s structure was previously discussed in 2015. The committee was asked to provide a written report to the board.

This report reviews the committee’s process and describes our key findings and recommendations. We conclude with a brief overview of the next steps and a discussion of potential concerns.

Summary

After extensive interviews, research, consultation with experts, and analysis of the current dual nonprofit structure of the LWVPDX, the committee concluded that the consolidation

¹ The Education Fund includes the Sara Frewing fund, The Ethel Noble Fund, and the Darlene Lemley Fund.

of our membership and administrative activities with our education and voter service activities poses significant advantages and few, if any, disadvantages.

Advocacy versus Lobbying

Understanding the IRS distinction in these terms was a significant part of educating ourselves on the 501(c)(3) versus 501(c)(4) issue and is essential to understanding our recommendation. Nonprofit law distinguishes between general **advocacy**—promoting a cause or policy, which is allowable for all 501s—and **lobbying**, which is restricted for 501(c)(3)s, but not (c)(4)s.

The IRS defines lobbying as attempting to influence legislation by 1) contacting or urging the public to contact members or employees of a legislative body for the purpose of proposing, supporting, or opposing specific legislation or 2) advocating for the adoption or rejection of pending or proposed legislation, such as through an endorsement on the organization’s website or in a voter pamphlet. Advocacy, on the other hand, often involves promoting specific policy positions such as those described in League adopted positions. The IRS code further states:

“Organizations may, however, involve themselves in issues of public policy without the activity being considered as lobbying. For example, organizations may conduct educational meetings, prepare and distribute educational materials, or otherwise consider public policy issues in an educational manner ...”²

Note that League studies are nonpartisan and, as long as the research for the study presents all sides of an issue, the study and resulting positions constitute advocacy, not lobbying.

Also see [Response to Member Concerns](#) – first concern and response.

Considerations for Consolidation

The experts we consulted agreed that simplification seemed warranted based on the following considerations:

- Managing two nonprofit corporations is complicated.
- Unpaid volunteers do our lobbying activities.
- We can elect the IRS expenditure test³ to measure our spending on lobbying.
- Historically, our lobbying expenditures have consistently been below the IRS expenditure cap for a 501(c)(3) nonprofit organization of our size, which is 20% of our annual budget. See *The Connection*, p. 7: “Public charities may engage in only a limited amount of lobbying. Lobbying by a public charity is limited to either an “insubstantial” part of its total activity or to lobbying expenditures that could be as much as approximately 20 percent of its annual budget, depending on whether the

² <https://www.irs.gov/charities-non-profits/lobbying>

³ <https://www.irs.gov/charities-non-profits/measuring-lobbying-activity-expenditure-test>

charity operates under the “Insubstantial Part Test” or elects to lobby under the ‘Expenditure Test.’ Lobbying includes activities to influence legislation at the federal, state or local level or legislation in another country, as well as to support or oppose ballot measures....”⁴

- Consolidation would not impact our advocacy activities because a 501(c)(3) can do unlimited advocacy as defined by the IRS.
- The consolidated League would be able to do everything we do now.

We also concluded that, to ensure flexibility and retain the funds to address any future need to spend significantly more on lobbying activities than we have historically, we can maintain our 501(c)(4) corporation as an inactive entity with no members while keeping its associated endowment fund⁵ in place within that entity.

Over 200 state and local Leagues have made similar changes over the last 12-13 years, and the ones we spoke to have judged those changes to be worthwhile. December 2017 tax legislation, including the increase in the standard deduction, has not inhibited this move to conversion, and more and more Leagues have been making this change within the last few years.

This report lays out the details of the current dual structure of LWVPDX and its associated Education Fund, the pertinent regulations, our committee’s work, and the results of our research and analysis. The IRS expenditure test and the related historical financial data are described in the section titled Financial Considerations.

We also describe how consolidation does not jeopardize our ability to conduct our historic core mission.

The three appendices describe the details of all interviews, questions and answers, and research materials.

Current Structure

To provide background on our current structure, this section describes the two nonprofit entities and how League activities fit into that structure.

The current League of Women Voters of Portland has a dual nonprofit structure as follows:

- The League of Women Voters of Portland (LWVPDX) is registered as a 501(c)(4).

⁴ [https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501\(c\)\(3\)s-501\(c\)\(4\)s-and-political-organizations/](https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501(c)(3)s-501(c)(4)s-and-political-organizations/)

⁵ The Portland League of Women Voters Endowment Fund was established in 1987 and supports the 501(c)(4), the Regular Fund budget.

- The League of Women Voters of Portland, OR Education Fund is registered as a separate 501(c)(3).

Both nonprofits are incorporated separately in the State of Oregon and have separate bylaws.

LWVPDX’s Existing 501(c)(3) - Education Fund

As of at least 1983, the League of Women Voters of Portland has operated the “League of Women Voters of Portland Education Fund, Inc.” (also known as the Education Fund, Ed Fund, or LWVPDXEF).⁶

LWVPDX Education Fund is a 501(c)(3). Donations to the Education Fund are tax-deductible. The Policies and Procedures of the League of Women Voters of Portland, Oregon⁷ (LWVPDX P&P) has a section of policies relating to the LWVPDX’s Education Fund. It begins:

“As stated in its Articles of Incorporation, the League of Women Voters of Portland Education Fund is a *nonprofit corporation ‘organized exclusively for literary and educational purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.’*”⁷

The LWVPDX P&P explains the purpose and function of the Education Fund as overseeing the following League activities:

- (1) Conduct live and online presentations and recordings of Civic and Community Education events.
- (2) Conduct live and online Voter Education and Voter Service events, recordings, and publications.
- (3) Undertake thorough studies of community issues and the publication and distribution of these studies.
- (4) Do publicity to inform the public about such events, recordings, and publications.

The LWVPDX P&P describes two functions it may not perform:

“The Education Fund may not be used for lobbying activities to support or oppose specific legislation or ballot measures. It is not used for supporting membership activities.”⁸

⁶ <https://lwvpdx.org/wp-content/uploads/2019/08/LWVPDXEF-Articles-of-Incorporation.pdf>

⁷ Revised June 2022; accessible at <https://lwvpdx.org/wp-content/uploads/2022/06/LWVPDX-Policies-and-Procedures-amended-June-22.pdf>

⁸ Ibid.

LWVPDX’s Existing 501(c)(4) - Regular Fund

The bylaws of LWVPDX recognize the existence of the “501(c)(4) League of Women Voters of Portland operating fund (sometimes referred to as the ‘Regular Fund’).”⁹

Organizations that are tax-exempt under 501(c)(4) (social welfare organizations) can do unlimited lobbying.¹⁰ Lobbying activities and supporting membership activities are currently the responsibility of the Regular Fund.

League Activities

In seeking to achieve its goals of civic education and engagement of citizens, LWVPDX engages in activities in the areas of voter service, civic education, advocacy, and lobbying.

Civic education is targeted to League members and the community. This activity falls under the Education Fund, and is budgeted there, and it includes items such as flyers, ads, voter outreach, development, and production of League studies (such as those on the Portland Police Bureau and Portland city government), printed Voters’ Guides at election time, and Video Voters’ Guides and podcasts.

Advocacy, lobbying, and membership activities are currently organized under the Regular Fund. LWVPDX advocacy seeks to influence local governmental policy, primarily within the city of Portland and Multnomah County. This activity can involve advocating with members, the media, and/or the public to promote policies aligned with our adopted positions.

LWVPDX also sometimes takes actions seeking to persuade elected officials, such as City or County Commissioners, to act in accordance with adopted League positions on legislation and regulations – an activity generally considered by the IRS to be *lobbying*.¹¹ Also, see question #7 in Appendix A: [What is the difference between advocacy and lobbying?](#)

LWVPDX’s current lobbying and advocacy efforts are undertaken entirely by unpaid volunteers.¹² LWVPDX has neither a *paid* staff lobbyist nor a *contracted* lobbyist. Using

⁹ “[BYLAWS OF THE LEAGUE OF WOMEN VOTERS OF PORTLAND, OREGON](#)” (revised May 2022; hereafter “Bylaws”), Art. 9, sec. 5 (operating fund also known as “Regular Fund”).

¹⁰ “Alliance for Justice, “Practical Guidance: What Nonprofits Need to Know About Lobbying in Oregon” (12/17/22, available at <https://afj.org/resource/practical-guidance-what-nonprofits-need-to-know-about-lobbying-in-oregon/> [hereafter, “AFJ, OR Nonprofit Practical Guidance”]), p. 5.

¹¹ <https://www.irs.gov/charities-non-profits/lobbying>

¹² AFJ, OR Nonprofit Practical Guidance, p. 5 states: “Using unpaid and unreimbursed volunteers to lobby for you in scenarios other than public testimony will also not trigger any lobbyist registration. If the volunteer expenses are reimbursed, however, then your volunteers are also subject to the 24 hours in a quarter registration trigger.”

either kind of lobbyist could trigger additional reporting requirements under federal¹³, Oregon¹⁴, Portland¹⁵, or Metro¹⁶ lobbying laws and regulations.

Applicable Regulations

We examined various regulations applicable to the current dual structure of the League. The following sections summarize this information.

IRS Regulations

The Internal Revenue Service (IRS) allows certain nonprofit organizations to operate as tax-exempt organizations under IRS Code sections 501(c)(3) and 501(c)(4).¹⁷

501(c)(3) Organizations

The IRS describes 501(c)(3) organizations generally by the phrase “charitable, religious, and educational organizations,” or simply “charitable organizations.”¹⁸ The IRS notes that an organization that seeks 501(c)(3) status “may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates.” The IRS has two methods of measuring lobbying activity, the substantial part test and the expenditure test.

- The substantial part test measures both the organization's time and expenditures devoted to lobbying on behalf of its mission. This includes time and expenditures by both paid and volunteer workers.¹⁹
- The expenditure test under section 501(h) is an alternative method for measuring lobbying activity. Under the expenditure test, the extent of an organization’s lobbying activity will not jeopardize its tax-exempt status, provided its expenditures, related to such activity, do not normally exceed a specified amount based upon the size of the organization.²⁰

501(c)(4) Organizations

¹³ <https://www.oregonmetro.gov/do-you-need-register-metro-lobbyist>

¹⁴ "AFJ, OR Nonprofit Practical Guidance."

¹⁵ <https://www.portland.gov/lobbyist>

¹⁶ <https://www.oregonmetro.gov/do-you-need-register-metro-lobbyist>

¹⁷ <https://www.irs.gov/charities-non-profits/applying-for-tax-exempt-status>

¹⁸ [https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501\(c\)\(3\)-organizations](https://www.irs.gov/charities-non-profits/charitable-organizations/exemption-requirements-501(c)(3)-organizations)

¹⁹ <https://www.irs.gov/charities-non-profits/measuring-lobbying-substantial-part-test>

²⁰ <https://www.irs.gov/charities-non-profits/measuring-lobbying-activity-expenditure-test>

Internal Revenue Code section 501(c)(4) provides for the exemption of two very different types of organizations with their own distinct qualification requirements. The one that is applicable to LWVPDX is social welfare organizations.

To be tax-exempt as a social welfare organization described in Internal Revenue Code (IRC) section 501(c)(4), an organization must not be organized for profit and must be operated exclusively to promote social welfare. An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting the common good and general welfare of the community.

City of Portland Lobbying

Portland has had extensive regulation of lobbying of the City Council since 2006.²¹ For at least 17 years (2006-2023), LWVPDX has filed quarterly lobbying reports.²² The most recent report was filed covering the fourth calendar quarter of 2023. The more recent quarterly reports of 2022-2023 reflect no lobbying activity as defined by the Portland regulations (less than eight hours of activity per quarter), and no expenditures of \$1,000 or more on lobbying. Note that the city’s definition of lobbying is considerably broader than the IRS definition.

LWVUS Position on 501c Status

LWVUS has no official position regarding the 501c status of local or state Leagues. An undated letter²³ (presumed to be related to the 2014-15 consolidation effort) to Kris Hudson, Portland LWV member, from Greg Leatherwood, Senior Director of Finance, LWVUS responding to a LWVPDX officer’s “inquiry about the Portland League becoming a 501(c)(3) only organization,” included the following comments:

“The national board has not taken a position on leagues converting to a 501(c)(3) status.”

“It’s very unlikely that Leagues would run into any problems with the 501(h) limits on lobbying expenses.”

And in 2018, the LWVUS provided a document²⁴ with the following counsel:

“LWVUS is providing substantial support to all Leagues wishing to consider the change through the services of LWVUS [consultant] Tom Carson ... and **highly recommends** that all Leagues consult with [him] during their planning and certainly

²¹ <https://www.portland.gov/lobbyist/question-categories/general#toc-what-is-the-purpose-of-the-city-s-lobbying-regulations->

²² Available at <https://www.portlandoregon.gov/auditor/lobbyist/reports.cfm>

²³ The letter is located in the Background Materials folder of the committee’s Google Drive.

²⁴ [lwvussec501c3faqs-1-1-1.pdf](https://my.lwv.org/sites/default/files/leagues/solano-county/lwvussec501c3faqs-1-1-1.pdf), available at <https://my.lwv.org/sites/default/files/leagues/solano-county/lwvussec501c3faqs-1-1-1.pdf>

before making a final decision. Under certain local circumstances, the services of [an] attorney may also be beneficial.”

Concerns Regarding LWVPDX’s Nonprofit Structure

The concerns expressed in interviews and documents of current and former LWVPDX members relate primarily to the areas of development, donations, and administration.

Simplify Development: A 501(c)(4) is somewhat limited in its fundraising opportunities. For example, some corporations provide funds only to 501(c)(3) organizations, and as a result, LWVPDX cannot solicit corporate sponsorships for member events because technically, the 501(c)(3) education fund has no members. It would be easier to receive donations and grants to cover member-related activities if the entity were a 501(c)(3). Furthermore, it is difficult for a 501(c)(4) to receive government or community foundation grants. Charity Navigator, a website that collects information to help potential donors decide on organizations to support, could have a more comprehensive view of the League's activities if more of the activities fell under the 501(c)(3).

Simplify Donation Process: Having two separate organizations adds complexity to the process of giving because donors have to decide which organization they want to support. Gifts to the 501(c)(4) - along with annual member dues - are not tax-deductible. Qualified Charitable Distributions from IRAs cannot be made to a 501(c)(4), only to a 501(c)(3). Under the upcoming 2025 LWVUS membership join/renewal changes, a larger percentage of member dues would be tax deductible if both local and state Leagues were 501(c)(3)s. Currently, LWVOR (the Oregon state League) is a 501(c)(3).

Simplify Administration, Bookkeeping, and Taxes: The dual structure requires the board to hold two separate meetings, with separate agendas and minutes. The two organizations have separate bank accounts and require separate tax filings. Record-keeping in Little Green Light, the membership database, is more complex because of the need to keep accounts separate. Moreover, as the board has already discussed, the IRS recommends that affiliated organizations not have complete overlap in board members²⁵ – an issue that will need to be addressed if LWVPDX decides to retain its dual structure.

The committee considered all these concerns when weighing the benefits and drawbacks of possible changes to LWVPDX’s organizational structure. Committee members interviewed many members of the current board to understand their questions and concerns, as well as individuals involved in the 2015 consolidation discussion. We were attentive to concerns that consolidating to a 501(c)(3) might create new administrative challenges rather than alleviate the existing ones.

²⁵ *The Connection*, p. 40-41 [https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501\(c\)\(3\)s-501\(c\)\(4\)s-and-political-organizations/](https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501(c)(3)s-501(c)(4)s-and-political-organizations/)

Other interviewees included League leaders from all over Oregon and around the country. As specified in its initial charge, the committee also consulted attorneys and a tax expert in its efforts to gather the most current, relevant, and comprehensive information about possible impacts of an organizational change.

Committee Process

Beginning

Questions submitted by board members at the 2023 summer board retreat and background materials from the 2015 effort to consolidate provided the committee with a starting point and we began meeting in September 2023. The first steps included subject matter education, review of the materials from the 2015 effort, and the assignment of interviews with League members, both within LWVPDX and other Oregon Leagues, to the committee members. Because we did not want the meetings to potentially provide a platform for lobbying one way or the other, the committee decided that we would not have observers at our meetings.

While conducting the initial interviews, and throughout our research, the committee identified additional League contacts throughout the state and the country. Non-League experts were also identified and contacted.

Committee meeting agendas and minutes were provided to the board every month and summaries were included in the monthly board reports. All of the committee's work – FAQs, interview notes and other documents – was placed on the League Google drive and accessible to board members as it was produced.

Identifying Questions and Concerns

Throughout the research process, the committee invited board members and other League members (in a November 2023 Voter article²⁶) to voice their questions and concerns.

We compiled a list of specific questions based on the materials we had and input from League members. Many hours of research went into creating our first consolidated list of questions and answers (FAQ), which was painstakingly developed by Melanie Billings-Yun (after spending hours with the appropriate IRS code). We made this initial FAQ (list of questions and answers) available to all Board members with the December 2023 board report.

Additionally, at the December board meeting we requested that the board identify 3-4 key people with responsibility for areas related to our financial structure, public perception, taxes/records, advocacy, and endowment to attend our December committee meeting to

²⁶ <https://us5.campaign-archive.com/?u=e5a79f67ed6ba2b451f5a569d&id=21299a819d#501C>

review and discuss the FAQ. Our primary goal at the December meeting was to clearly identify all major concerns before we contacted outside experts.

The board selected the following attendees:

- Debbie Aiona (Action Chair),
- Anne Davidson (Secretary),
- Adrienne Aiona. (Treasurer) and
- Chris Cobey (Development Committee) designated by Linda Mantel (Development Chair).

This committee meeting was held on Dec. 14. During this meeting committee members discussed and responded to a list of 24 questions submitted prior to the meeting by Debbie Aiona and Anne Davidson.

All these additional questions were subsequently answered by referring to IRS rules, Bolder Advocacy publications, and meetings with outside experts. The consolidated list of questions and answers has been in the 501c committee's folder on the League's Google drive since early January, with updated information added throughout February after additional consultations with experts suggested to the committee by Debbie Aiona.

See [Appendix A](#) for a consolidated list of questions and answers.

Questions Presented to the Board

At the December committee meeting, the committee determined that four of the questions should be submitted to the board for discussion at the January board meeting:

1. What is it about our current system that is not working for some people in the Portland League?

Committee Response: A list of concerns was compiled and presented to the board for discussion. See the section [Concerns Regarding LWVPDX's Nonprofit Structure](#).

2. Would becoming a (c)(3) change the tone/approach the League would take when it influences legislation? What are you communicating to the public/elected officials through your (c)(3)/(c)(4) status?

Committee Response: This is a question for the LWVPDX Board. Note, the interviews with other Leagues indicated this was not an issue and in fact, many people are more likely to trust a (c)(3) organization and other Leagues saw an increase in donations.

Some board members did not think there would be a change in tone or approach. Other board members thought it might be confusing to do advocacy if we were solely a 501(c)(3). This concern is further addressed in the section titled Response to Member Concerns.

3. If LWV Portland becomes a 501(c)(3), how will leadership ensure that the board and staff are well trained and able to comply with record keeping and reporting requirements over time?

Committee Response: The question of providing training is one for the LWVPDX Board. At the meeting, the board discussion noted the need for ongoing training even with the current structure. Some members felt it was inadequate now.

Subsequent discussions with experts Tom Carson, and Tim Mooney (in February 2024) determined there are really no difficult tracking or record-keeping requirements. Recommendations are available from both experts. Per Tim, training is available for free from Bolder Advocacy. The committee has also compiled many resources that could be used to develop League-specific training materials regarding lobbying.

Additionally, the committee notes that the current board receives training in the dual structure of the organization, so the need for training is not new and could be simplified under a consolidated 501(c)(3).

4. If we were a 501(c)(3) what would happen if LWV Portland decided in the future to hire a staff person to lead advocacy/lobbying efforts? What if we decided to take the lead on a local ballot measure? Would we be putting limitations on future League boards by making a decision that could place constraints on their future plans and activities?

Committee Response: The 20% limit (discussed under IRS (h) expenditure cap²⁷) would apply, but ultimately, how much weight to put on this hypothetical question is a question for the board. Note: the board did not provide specific guidance on this question.

Based on all the information compiled by the committee, the committee recommendation addresses this concern. An inactive 501(c)(4) could be activated and used if the League decided to do a large lobbying campaign. See the [Recommendation](#) section.

Resources Used

Interviews

Committee members contacted League members and leaders in other Leagues across Oregon and the country. We interviewed a total of 28 individuals representing 16 League. For the complete list see the section [League Consultations](#).

²⁷ <https://www.irs.gov/charities-non-profits/measuring-lobbying-activity-expenditure-test>

We noted common themes from the three state Leagues and nine other Oregon local Leagues. Six of the local Leagues became 501(c)(3)s and three stayed 501(c)(4)s. The following comments were common themes by the Leagues that either consolidated or changed to a 501(c)(3):

- Use the 501(h) election.
- Tracking lobbying expenses is not difficult.
- Leagues mostly engage in education, voter services and advocacy rather than lobbying.
- Norman Turrill or Tom Carson helped with the paperwork to make the consolidation or conversion, and with any problems that came up after the consolidation.
- Have not exceeded the 20% limit since consolidating and can average over 5 years.
- Donations increased.

The following comments were common themes by the local Leagues that did not choose to change to 501(c)(3):

- Smaller Leagues with limited membership and resources.
- They were all only 501(c)(4)s and felt it an unnecessary cost and complication to change due to limited size and resources.
- Felt there was no need for grants.
- Members did not deduct donations.

Publications and Other Written Materials

The committee's work referenced many IRS publications, Bolder Advocacy publications and numerous non-public written materials related to this subject. For the complete list, see [Appendix C](#).

Experts Consulted

We met with Susan Sourlis (Bolder Advocacy attorney), Tim Mooney (Senior Counsel, Bolder Advocacy Program), Kelley Weigel (Director Uplift Oregon • RISE Partnership, a labor-management partnership), and Tom Carson (the LWVUS-recommended expert on this issue). Carson is a CPA and tax professional with expertise in the area of 501(c)(3)/(c)(4) organizations and all that implies. He was treasurer in his local California League for years. He has been helping Leagues across the country for the last 13 years and has been directly involved with over 100 Leagues. His name came up in many interviews as the go-to expert. Mooney and Weigel were recommended by Debbie Aiona, LWVPDX Action Chair.

We talked with all of the contacts provided by the Action Committee as well as others known by the committee members. A complete list of these contacts can be found in [Appendix B](#).

Financial Considerations

Local Leagues are advised (by both the LWVUS-recommended expert and Bolder Advocacy) to elect the IRS 501(h) expenditure test, which bases lobbying limits exclusively on expenditures, using a sliding scale.²⁸ The lobbying limit is calculated as a percentage of the organization's exempt purpose expenditures that year. Per Tim Mooney's email of March 25, 2024 – exempt purpose expenditures include:

*(almost) everything the organization spends money on, including lobbying expenditures, when determining the lobbying limits. Things that are excluded from exempt purpose expenditures include fundraising expenses, capital expenditures and other things that don't advance the exempt purpose of the organization.*²⁹

If the organization's expenditures are under \$500,000, the allowable amount for lobbying is 20%, no more than 25% of which can be spent on grassroots lobbying.

Key to making our recommendation was the assumption that as a consolidated 501(c)(3) nonprofit, we would elect the IRS 501(h)-expenditure test. We conducted a review of LWVPDX budget numbers to determine what the League's lobbying expenditures and associated "cap" would have been over the last few years and the likelihood of exceeding the IRS cap.

Because the League's lobbying activities are performed by non-paid members, our expenditures are historically very low. Based on an analysis of the money spent by LWVPDX on lobbying for specific legislation or ballot measures over the last 11 years, the average expenditure was ~\$420. In some years, it was zero. The largest amount was \$1,800 in 2022-23 (primarily for the cost of ballot statements by the LWVPDX in the Multnomah County Voters' Pamphlet), which amounts to ~8% of that year's expenditures. Even considering that some fraction of the cost of overhead (office rent, utilities, etc.) would need to be added to this total in the future – if all action is done from a consolidated 501(c)(3) – the Portland League is highly unlikely to reach the IRS cap.

See [Appendix A](#), questions 10, 11, 12, and 14 for a more detailed description of the two types of lobbying defined by the IRS, the applicable limits, and exempt spending.

Recommendation

The committee is unanimously recommending that we reorganize our Portland League structure and consolidate our activities, including administration and membership, into one 501(c)(3) organization and maintain an inactive (or dormant) 501(c)(4) entity to hold the endowment fund in the event that future conditions warrant lobbying expenditures in

²⁸ <https://www.councilofnonprofits.org/everyday-advocacy/taking-501h-election>

²⁹ Quoting email from Tim Mooney received March 25, 2024

excess of what our 501(c)(3) can spend. **The consolidated League would be able to do everything we do now.**

The principal difference in the applicable tax rules that would result from this change in status would include:

- *Prohibition of any support for, or opposition to, candidates for elective office.*³⁰ This rule would have no effect on our League, as our own policies have always included the same prohibition.
- *Lobbying cannot be a substantial part of our League's activities.* If the League elected the 501(h) expenditure test, lobbying would be measured by dollars spent in such lobbying activities, and not by the amount of time our members spend on lobbying. On this basis and examining the last 10 years of LWVPDX budgets, there is little possibility that our League would violate this test unless the nature of its activities drastically changed.
- Our members will be able to deduct all their League dues and donations for tax purposes, provided that they itemize deductions on their individual tax filings. Donors will also be able to make Qualified Charitable Donations directly from their IRAs to this organization. This can be an attractive tax-savings option for those that need to take Required Minimum Distributions from their IRAs and do not need all the cash.

Further we expect the following benefits to result from this tax status change:

- Because of the tax deductibility of all contributions to our League, we hope for increased donations to help fund League activities, especially member-related activities.
- Greater potential for receiving foundation grants, which are typically not available for 501(c)(4) organizations.
- The cost of business services may be reduced.
- Possible savings from vendors who offer discounts to public charities, and access to pro bono public spaces and services.
- Reduced administrative work related to managing our 501(c)(4) Regular Fund budgets, accounts, board meetings and minutes.
- Minimal additional bookkeeping related to tracking lobbying expenditures.

We suggest the following names:

- League of Women Voters of Portland (LWVPDX) as the name of the 501(c)(3).
- League of Women Voters of Portland Lobbying Fund as the name of the 501(c)(4).

³⁰ [https://www.irs.gov/charities-non-profits/charitable-organizations/the-restriction-of-political-campaign-intervention-by-section-501\(c\)\(3\)-tax-exempt-organizations](https://www.irs.gov/charities-non-profits/charitable-organizations/the-restriction-of-political-campaign-intervention-by-section-501(c)(3)-tax-exempt-organizations)

Common Questions and Answers

See [Appendix A](#).

Next Steps

If the board and the membership approve consolidation, the next steps are not substantially different from the steps laid out in 2015, which involve amending the Articles of Incorporation and Bylaws for both entities appropriately.

We can get expert support from LWVUS's recommended consultant, Tom Carson, as we go through the consolidation process, and the committee has discovered and compiled substantial additional resources to facilitate this transition.

Operating a Shell/Dormant 501(c)(4)

Per Tim Mooney, of Bolder Advocacy, at a minimum operating a dormant 501(c)(4) would involve the following:

- Hold an annual meeting of the board with minutes.
- Have a minimum of three directors on the board. For example, on a semi-dormant (c)(4), there could be just three board members from the (c)(3) serving on the board. It cannot have the same board as the related (c)(3).
- File an annual or biannual report to the state and form 990 to the IRS.

There is no requirement that a 501(c)(4) engages in any activity. There is no limit on retaining funds from our 501(c)(4) endowment.

Response to Member Concerns

Some recurring concerns raised by members are addressed here. Many other questions submitted to the committee are covered in Appendix A.

Concern: If we operate solely or primarily as a 501(c)(3) organization, is the amount we can spend on advocacy limited?

Response: There is a clear distinction between "lobbying" and "advocacy." Not all advocacy is lobbying. Many of the activities of the League's Action Committee are advocacy, not lobbying under the IRS definition. Experts, such as Bolder Advocacy (Alliance for Justice program) lawyers and nonprofit tax experts, agree. Our League advocacy would not be limited by switching to a 501(c)(3) nonprofit status.

By selecting the **IRS 501(h) election**, the League lobbying would be limited based only on expenditures. Over the last 10 years, expenditures that would be classified as lobbying

expenses have never been close to the limit allowed under this (h) election. See the section on [Financial Considerations](#).

Advocacy Definition

From Bolder Advocacy Webinar (January 2024, presented by senior counsel Leslie Barnes and Counsel, Monika Graham): Advocacy is an activity by an individual or group that aims to create change in public policy to support a mission or cause. Advocacy based on our policy positions is not necessarily lobbying unless specific legislation is involved.

Lobbying Definition

The IRS defines lobbying as attempting to influence legislation by 1) contacting or urging the public to contact members or employees of a legislative body for the purpose of proposing, supporting, or opposing specific legislation or 2) promoting the adoption or rejection of pending or proposed legislation, such as through an endorsement on the organization's website or in a voter pamphlet. Here is the IRS Code's definition of "direct lobbying:"

*Direct lobbying refers to communications with members or employees of a legislative body, or with any other government official or employee who may participate in formulating the legislation, if the principal purpose of the communication is to influence legislation.*³¹

IRS regulations define "legislation" as follows:

*"Legislation includes action by Congress, any state legislature, any local council, or similar governing body, with respect to acts, bills, resolutions, or similar items (such as legislative confirmation of appointive office), or by the public in referendum, ballot initiative, constitutional amendment, or similar procedure. It does not include actions by executive, judicial, or administrative bodies. An organization will be regarded as attempting to influence legislation if it contacts, or urges the public to contact, members or employees of a legislative body for the purpose of proposing, supporting, or opposing legislation, or if the organization advocates the adoption or rejection of legislation."*³²

Concern: Public perception of the League would change by diluting the message to our members and the public about our commitment to action and to our core purpose to advocate and lobby on issues that promote the common good.

Response: The mission of the League is primarily one of education and empowering voter participation in our democracy. Influencing public policy through education and advocacy

³¹ <https://www.irs.gov/charities-non-profits/charitable-organizations/direct-lobbying>

³² <https://www.irs.gov/charities-non-profits/lobbying>

is important as well, but not necessarily the primary purpose recognized by the public. Indeed, many local Leagues do not engage in much public advocacy or lobbying and concentrate on voter education. Examples of descriptions of the LWV mission include:

- LWVUS website - The League of Women Voters (LWV) is a nonpartisan, grassroots nonprofit dedicated to empowering everyone to fully participate in our democracy. Further listing the following:

Mission: Empowering voters. Defending democracy.

Vision: We envision a democracy where every person has the desire, the right, the knowledge, and the confidence to participate.

Value: We believe in the power of women to create a more perfect democracy.

- LWVOR Website - LWVOR is grassroots, nonpartisan political organization that encourages informed and active participation in government.
- LWVPDX website - The League of Women Voters, a nonpartisan political organization, encourages informed and active participation in government, works to increase understanding of major public policy issues, and influences public policy through education and advocacy.
- Interviews with other Leagues - Our interviews with other Leagues indicated that there was no discernible change in public perception for those Leagues that changed from single entity 501(c)(4) to 501(c)(3) organizations.

Concern: Would we be at an increased risk of an IRS audit if we consolidate our activities into our 501(c)(3)?

Response: Our research and interviews with other Leagues did not reveal any League that was audited as a result of changing their status from 501(c)(4) to 501(c)(3) status. Tom Carson reported he was not aware of any local League being audited.

Additionally, we posed this question to Tim Mooney (of Bolder Advocacy), he responded as follows (text from our interview notes): Tim gave a reminder that his answer is technical assistance not legal advice.

- He said the odds of the IRS auditing a particular organization - especially on lobbying - are extremely low under the current structure of the IRS. They pay much more attention to anything having to do with revenue-generating programs, financial malfeasance that results in private benefit, etc.
- [Mooney] thinks our exposure is very minimal even with the state of Oregon. As long as the League keeps good minutes, it should be fine, and the League has a track record of goodwill going back decades.

Moreover, since Leagues are advised to make the 501(h) election, there is minimal risk per the IRS itself. Quoting from the Bolder Advocacy publication *Being a Player* (copyright 2011) by Alliance for Justice:

“Contrary to popular belief, the IRS has publicly stated that there is no increased risk of an IRS audit if an organization files an election. In fact, a recent addition to the IRS agents’ manual expresses the belief that it is nonelecting organizations that are most likely to have exceeded their lobbying limits.”

Concern: The recordkeeping necessary to document our lobbying expenses will be complicated or time-consuming.

Response: Per our research, the recordkeeping is not complicated because only expenses need to be tracked, not volunteer time. Suggestions to manage this include placing an item regarding lobbying activity on the board agendas as a standard practice. Then the board minutes would indicate any action or expense.

Tim Mooney referred to the three-bucket approach described in the Bolder Advocacy publication *Keeping Track*. He provided additional guidance in an email communication to Debbie Aiona. The full text of this email communication can be found in the interview folder available to the board on the League’s Google Drive in the 501c folder.

With regard to staff time, the committee suggests that tracking activities related to lobbying (such as a Call to Action to members) would be easier to identify and track than the current practice of identifying which activities performed by the office manager are for the 501(c)(3) and which are for the 501(c)(4) for the purposes of tracking paid staff time.

Appendix A

Common Questions and Answers

1. What type of organization is LWVPDX currently: 501(c)(3) or (c)(4)?

The League of Women Voters of Portland (LWVPDX) is registered as a 501(c)(4). There is a separate 501(c)(3) known as League of Women Voters of Portland, OR Education Fund. Also see [Current Structure](#).

2. What is the difference between a 501(c)(3) and a 501(c)(4)?

Both are tax-exempt nonprofits. A 501(c)(3) organization is established for charitable, religious, educational, scientific, or literary purposes, with the primary objective of serving the public interest. The educational purposes category of a 501(c)(3) includes “instructing the public on subjects useful to individuals and beneficial to the community.” A 501(c)(3) may, conduct various nonpartisan election-related activities (subject to restrictions) including:

- Engaging in ballot-measure advocacy (direct lobbying limits apply)
- Conducting public education and training sessions about participation in the political process
- Educating candidates on public issues
- Publishing legislative scorecards
- Preparing candidate questionnaires
- Canvassing the public on issues
- Sponsoring candidate debates
- Advocating in connection with party platform issues
- Renting mailing lists and facilities at fair market value to other organizations, legislators, and candidates
- Conducting nonpartisan get-out-the-vote activities, voter registration drives, and voter education activity³³

A 501(c)(4) organization is primarily focused on promoting social welfare, which may include lobbying or issue advocacy for public good. A 501(c)(4) may engage in all of the lobbying and advocacy activities, including supporting and opposing ballot measures subject to state or local campaign finance laws, permitted for a 501(c)(3), without limit.

3. What are the benefits and restrictions of the two forms?

A 501(c)(3) is able to receive tax-deductible contributions and may advocate a point of view and provide public education in support of its mission. Local Leagues are advised

³³ [https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501\(c\)\(3\)s-501\(c\)\(4\)s-and-political-organizations/](https://afj.org/resource/the-connection-strategies-for-creating-and-operating-501(c)(3)s-501(c)(4)s-and-political-organizations/) - see Introduction B.2. page 7

to elect the 501(h) expenditure test, which limits the amount that can be spent on lobbying for specific legislation to a maximum of 20% of its expenditures. This limit has no practical impact for most local Leagues as they do not exceed 1-2% of exempt spending. See [Financial Considerations](#).

A 501(c)(4) is unlimited in its ability to engage directly in legislative lobbying related to its exempt purpose. Donations to it are not tax-deductible.

4. Can a 501(c)(3) and (c)(4) have the same board members and staff?

The 501(c)(4) must have its own board of directors separate from that of the 501(c)(3). The boards of the two organizations must operate separately, holding distinct meetings and maintaining separate minutes of their meetings. Some overlap between the boards of directors is acceptable but should be limited, as per IRS guidance. Separation of the boards is one factor in demonstrating independence. Note: The 501(c)(4) board must elect its own officers and must govern the 501(c)(4) as a separate entity in every respect. Each organization must file its own separate tax returns, comply with all federal and state reporting requirements, and make its own decisions about its conduct. The 501(c)(4) must pay its own costs, and the 501(c)(4)'s board of directors, officers, and staff must make the organization's decisions.

A 501(c)(3) and 501(c)(4) may share employees, equipment, and office space, but must have a cost-sharing agreement and keep records establishing that each entity is paying its fair share. This is what we have now.

5. How much separation should there be between websites?

As long as the 501(c)(4) does not engage in partisan activities or political campaigning, affiliated organizations may share a website. However, the IRS recommends distinguishing between content belonging to the 501(c)(3) and (c)(4). If the Portland League retains a 501(c)(4) in a dormant state, there would be no (c)(4) activity so this would not be an issue.

6. What have been the experiences of other LWV chapters who have consolidated their accounts into 501(c)(3)s?

Per Tom Carson, there has been almost no impact on the operations of other local Leagues from this type of conversion. We consulted with most of the other Oregon Leagues, and none reported any adverse effects. In fact, most said donations increased.

7. What is the difference between advocacy and lobbying?

Nonprofit law distinguishes between general advocacy—promoting a cause or policy, which is allowable for all 501s—and lobbying, which is restricted for 501(c)(3)s, but not 501(c)(4)s. The IRS defines lobbying as attempting to influence legislation by:

1) contacting or urging the public to contact members or employees of a legislative body for the purpose of proposing, supporting, or opposing specific legislation or
2) advocating for the adoption or rejection of pending or proposed legislation, such as through an endorsement on the organization’s website or in a voter pamphlet.³⁴

8. League studies are used to inform our members so they can arrive at a policy position that ultimately is used for advocacy. Can we use 501(c)(3) money to pay for producing the study?

Yes, League studies are educational and nonpartisan, so 501(c)(3) money can be used.

9. When we make use of the position to take action, do the study expenses count?

As long as the research for the study presents all sides of an issue, the study and resulting position constitute advocacy, not lobbying and study expenses would not be considered a lobbying expense by the IRS.

Confirmed by Tim Mooney of Bolder Advocacy – quoting “these fit in the nonpartisan research exception. It is in the publication called *Being A Player*.” Tim stated in the interview that the mechanism we use for our studies fits within that exception, especially because there is no call to action. “You can go as far as having draft legislation but if it is a real analysis and it is distributed broadly, then it’s a non-lobbying situation.”

10. What is direct vs. grassroots lobbying? What are the limitations of each?

The IRS identifies two forms of lobbying:

1) Direct lobbying is attempting to persuade legislators to enact or not enact a bill; efforts to encourage our members to contact legislators about specific legislation is considered direct lobbying.

2) Grassroots lobbying, which is more restricted, involves encouraging the public to vote for or influence legislators on behalf of or against specific legislation.

Specifically, grassroots lobbying typically occurs when a League contacts individuals and urges them to contact their legislator(s) in support of, or opposition to, specific legislation like League action alerts. If all of the individuals to whom this message is sent are a League’s own members, then the entire cost would be treated as a direct lobbying expense. If less than 85% of the individuals contacted are League members, then the cost is allocated. The percentage of the costs attributable to the members

³⁴ <https://www.irs.gov/charities-non-profits/lobbying>

would be a direct lobbying expense, and the other percentage would be a grassroots lobbying expense.

For both types of lobbying, all costs — including research, preparing, planning, drafting, printing, publishing, and mailing a lobbying communication, and general administrative and employee expenses on these activities — qualify as lobbying expenditures. Note that volunteer hours are not expenses.

There are no limits for 501(c)(4) organizations. A 501(c)(3) is limited to 20% of its expenditures on direct lobbying, with no more than ¼ of that on grassroots lobbying.

11. What constitutes 501(c)(3) advocacy for “exempt purposes”?

As long as the organization does not campaign for specific legislation, IRS code freely allows spending for, among others, “advancement of education or science; lessening the burdens of government; lessening neighborhood tensions; eliminating prejudice and discrimination; defending human and civil rights secured by law; and combating community deterioration.”

12. How is the 501(c)(3) limit on lobbying calculated?

Local Leagues are advised to elect the 501(h) expenditure test, which bases lobbying limits exclusively on expenditures, using a sliding scale. The lobbying limit is calculated as a percentage of the organization’s exempt (i.e. non-lobbying) spending that year. If the organization’s expenditures are under \$500,000, the allowable amount for lobbying is 20%, no more than ¼ of which can be spent on grassroots lobbying.

13. How does a 501(c)(3) manage working in coalition with 501(c)(4)s on endorsing legislation or ballot measures, for example, if we co-hosted an event with the intention of informing and persuading the public and we helped cover expenses?

League expenses for a lobbying event would need to be maintained and reported.

14. How do current LWVPDX expenditures for lobbying compare to the 501(h) spending limits?

Our treasurer provided a spreadsheet detailing lobbying expenses for specific legislation or ballot measures over the last 11 years. The average expenditure was ~\$420/year. In some years, it was zero. The largest amount was \$1,800 in 2022-23. The spending limit for an organization our size under the h election is 20% of exempt (non-lobbying) expenditures. For our approved 2023-24 budget, this limit would be ~\$27,600.

Considering that in 2025, LWVUS will be collecting dues and local Leagues will no longer pay per-member-payments (PMP), an analysis was done subtracting the expenses for PMP from the total expenses. In this future scenario, the 20% limit of

expenses ranged from a low of \$7,593 in 2013-14, to a high of \$24,630 for 2023-24. What the League has historically been spending on lobbying activities, including supporting ballot measures, is well below the IRS-allowed 20% cap.

15. Can a 501(c)(3) make grants to a 501(c)(4)?

Yes, as long as that money is used exclusively for 501(c)(3) permissible purposes — either exempt spending or within its lobbying limits.

16. Can a 501(c)(4) make grants to a 501(c)(3)? Are there any restrictions?

Yes, a 501(c)(4) can make grants to a 501(c)(3). There are no restrictions. The 501(c)(4) may give funds to the 501(c)(3) for any purpose that the 501(c)(3) may legally pursue. No restrictions exist on such transfers. Therefore, the 501(c)(4) may give unlimited funds to the 501(c)(3), directly or indirectly, without jeopardizing an organization's tax-exempt status. While records of such transfers should be maintained, no written agreement is required.

17. If LWVPDX were to consolidate its accounts into a 501(c)(3), what would be the effect on our endowments and other restricted funds?

Per CPA Tom Carson, there would be no impact on these types of funds. The committee consulted with the chair of the Endowment Committee (EC) to determine if the bequests comprising the endowment and education funds came with restrictions from the donor. The original letters notifying the League of the bequests came without restrictions, instructions, or specific provisions with a couple exceptions. A couple of bequests (Lemley and Noble) have been restricted to voter service activities, but the EC chair does not have original documentation that specifies that, so these restrictions may have been a board decision. Which 501(c)(4) accounts, if any, to consolidate to a consolidated 501(c)(3) should be decided by the LWVPDX board if the board and the membership approve the 501(c) consolidation recommendation.

18. If LWV Portland becomes a 501(c)(3), how will leadership ensure that the board and staff are well trained and able to comply with record keeping and reporting requirements?

This is something the leadership and the board will need to address. Record keeping and reporting under the current structure requires training and is actually more complicated because of the current dual structure.

Under a new structure with membership, administration, and all activities under a 501(c)(3) organization, new training would need to cover lobbying and the necessary distinctions between advocacy and the two types of lobbying. These are not extensive subjects, and plenty of material exists in the various documents gathered by the committee. Additionally, Tim Mooney indicated he has training that he can give away

for free — for the 501(c)(3) board, the (c)(4) board, or any combination. In fact, he stated it is something Bolder Advocacy is looking to do more of. Tom Carson can provide a questionnaire on lobbying that he developed specifically for League members that would aid all members and staff in the determination of whether their activities constitute lobbying under the IRS definition.

19. How does an organization qualify for the 501(h) election?

A 501(c)(3) can elect 501(h) status by submitting IRS Form 5768 at www.irs.gov.³⁵

20. How are 501(h) expenses calculated and tracked?

The three categories of costs that count toward lobbying limits are: 1) Paid staff time used on either grassroots or direct lobbying, such as preparing testimony or posting a campaign endorsement; 2) Direct costs such as printing or mailing costs for a campaign brochure; and 3) Overhead, for example the percentage share of rented space used in support of lobbying.

It is the responsibility of an organization claiming the 501(h) election to maintain detailed, documented accounts of its direct and grassroots lobbying expenditures. If an activity has both direct and grassroots lobbying or mixed lobbying and non-lobbying, the association must allocate the expenditures accordingly.

21. Is an estimate of overhead expenses that supports lobbying required even if the lobbying is done by volunteer League members?

Yes. Tim Mooney provided the following advice: Make a good faith determination of what percentage of the entire organization's overhead supports your (small amount) of lobbying. Considering all of the other work the League does, compare that to the amount of lobbying and apply this percentage. The less arbitrary, the better... and write a memo for internal purposes explaining the thought process. Make a good faith estimate here and lean a little more into overcounting than undercounting, and the IRS would be satisfied.

22. What are the requirements of maintaining both an active 501(c)(3) and an active (c)(4)?

The affiliated organizations must incorporate independently and at all times function as separate legal entities, i.e. have distinct names, employer id numbers, bylaws, bank accounts, financial records, meetings, minutes, and letterhead. While they may share office space, equipment, staff and overhead, each organization must pay its share of those resources. It is essential that the 501(c)(3) be able to demonstrate that it is not directly or indirectly subsidizing the affiliated work of the 501(c)(4).

³⁵ <https://www.irs.gov/charities-non-profits/measuring-lobbying-activity-expenditure-test>

This is how LWVPDX currently operates.

23. What steps and expenses would be needed to consolidate to a single 501(c)(3)?

Expenses would be minimal as we do not need to apply to the IRS. See the section on [Next Steps](#).

24. What are the tax filing thresholds for nonprofit organizations? If we put all our assets into one organization, would that change our tax filing threshold?

A 501(c)(3) with less than \$200,000 in gross receipts or \$500,000 in total assets may file a 990-EZ form. One with larger receipts or assets must file a 990.

25. Is keeping a 501(c)(4) org at all necessary?

No. In a discussion with the 501c committee on January 5, 2024, Tom Carson replied that it is not necessary to keep a 501(c)(4). He gave as an example the Wisconsin LWV, the first League to undergo conversion, which kept a shell 501(c)(4) that remained inactive for several years. When Tom last heard from that League, its intention was to eliminate the (c)(4).

The reason that LWVOR has kept a shell (c)(4) is that it is the central organization in an IRS group exemption that allows local (c)(4) Leagues in Oregon to convert to 501(c)(3) status without each application needing to be reviewed individually by the IRS.

26. IRS 990, Schedule R (referred to on p. 41 of *The Connection*) – If LWV Portland were a 501(c)(3) would we need to file Schedule R relating to financial transactions between related organizations?

Yes. The 501(c)(3) and 501(c)(4) could be considered related organizations and the bylaws of the 501(c)(4) can require that the three officers be LWVPDX members or even LWVPDX board members.

27. If LWV Portland were to become a 501(c)(3) with an affiliated 501(c)(4), what options are there for the 501(c)(4) to raise money to support itself?

A (c)(3) cannot use its funds to pay the fundraising costs for a (c)(4). However, the (c)(3) and (c)(4) can hold a joint fundraiser, but the proportion of costs for it would determine the split of benefits. Any donations made to the (c)(4) would not be tax-deductible.³⁶

28. What are the guidelines for a 501(c)(3) to loan money to an affiliated 501(c)(4)?

³⁶ Amended per email from Tim Mooney dated March 25, 2024

Quoting from Bolder Advocacy (BA) publication *The Connection* (Ratliff, 2024):
“Under limited circumstances, a 501(c)(3) may lend funds to a 501(c)(4). While it may be possible for a 501(c)(4) to use a loan from a 501(c)(3) for general support or fundraising, a 501(c)(3) may not lend funds to a 501(c)(4) for the purpose of supporting the 501(c)(4)’s political activities.”

More detail on this subject can be found in the BA publication.

29. Explain the requirements for lobbying grants made by a 501(c)(3) to a 501(c)(4).

This scenario seems unlikely to arise if the current endowment fund is retained by the revised 501(c)(4) lobbying fund as recommended by the committee.

Any money given to the (c)(4) by the (c)(3), including a lobbying grant, has to fall below the 20% cap allowed to the (c)(3). Quoting from Bolder Advocacy (BA) publication, “The Connection” (Ratliff, 2024):

“A 501(c)(3) may also make a grant to a 501(c)(4) to conduct lobbying activities. However, such a grant will count against the 501(c)(3)’s lobbying limits and, unless the 501(c)(3) (that is an electing charity) takes the necessary steps to clarify how the funds may be used, the grant may count against the 501(c)(3)’s limits on grassroots lobbying, not the more generous limit for direct lobbying. The terms of such a grant should be set out in a grant agreement with 501(c)(4) separate from any controlled grant (discussed above). A grant earmarked to support grassroots lobbying counts against the grassroots lobbying limits of the 501(c)(3).”

30. When thinking about consolidation, should consideration be given to the amount of money currently in our 501(c)(4) accounts, including the endowment fund?

This is a question for the board to consider. If a 501(c)(4) organization is kept in an inactive/dormant state as insurance against future needs, then deciding on the amount of money to keep in the (c)(4) is something that needs to be assessed and decided by the board.

31. Have any other Leagues who converted and now operate only as a 501(c)(3) had (c)(4) resources as large as our endowment fund?

Unknown. However, Tom Carson stated he did not know of any other Leagues that had our resources. He does know of both local and state Leagues that retained a (c)(4) but have not used it. Again, they lacked the resources available to the Portland League. A couple of those Leagues are considering closing down their (c)(4)s, including LWV of Los Angeles.

32. Are there any restrictions on including articles related to League lobbying or ballot measure endorsements in a newsletter published by a 501(c)(3)?

No. The newsletter is produced almost exclusively using volunteer time. When estimating the percentage of the (c)(3)'s expenditures that go toward lobbying, some amount of the cost of the League's MailChimp subscription would have to be included, along with a portion of the office manager's salary if she participates in creating or sending the newsletter. But these dollar amounts can be estimated, and they would typically fall far below the 20% cap.

33. Are there restrictions on the use of a bulk mail postal service permit by an affiliated 501(c)(4) for fundraising purposes if LWV Portland were a 501(c)(3)?

Bolder Advocacy publication *The Connection* says: "An affiliated 501(c)(4) may not use the postal permit of the 501(c)(3). Each organization must apply for and use its own separate nonprofit postal permit."

34. How do you calculate cost-sharing for a shared website if the 501(c)(3) owns the website? If the 501(c)(4) does not engage in political activity, is this a concern?

Per IRS regulations, a 501(c)(3) and (c)(4) can share a website as long as the (c)(4) does not engage in partisan activities or political campaigning, but the content for each must be clearly labeled. Cost sharing can be approximated using a reasonable estimate. Note, if the (c)(4) is dormant or hibernating (not actively engaging in any activity), it would not have a presence on the website.

35. What are the differences in record-keeping requirements for a consolidated 501(c)(3) (one with members) versus our current status with a 501(c)(3) Education Fund and a member-oriented 501(c)(4)?

Currently, it is necessary to maintain separate records of many kinds including bank accounts, budgets, minutes, agendas, meetings, tax filings, donation records, etc. Consolidating membership and related activities into a 501(c)(3) (and retaining only a dormant 501(c)(4)) would require the same type of record-keeping but simplified to one set of accounting records, budget, tax filings, etc. Additional records would be kept for any expenses related to actual lobbying as defined by the IRS.

According to Tim Mooney of Bolder Advocacy, a dormant 501(c)(4) would require minimal effort. See the section [Operating a Shell/Dormant 501\(c\)\(4\)](#).

36. Are there examples of tracking systems that other organizations have used to comply with the 501(h)?

Tom Carson indicated that no specialized tracking systems are necessary. The board needs to authorize and monitor any lobbying activities, to show that it is tracking these activities and accountable for them. As a board member of his local League, Carson developed a questionnaire for members to fill out if they intended to conduct lobbying activities. It was not necessary, or possible, to precisely calculate a dollar figure for shared expenses that went toward lobbying. What the IRS seeks is evidence that the board has thoughtfully accounted for its activities. We have a copy of this questionnaire available. See Appendix C "[Documents By Thomas P. Carson](#)" League of Women Voters - How to Convert to IRC sec. 501(c)(3), Thomas P. Carson February 2024".

With regard to the IRS, its requirement is to fill out a one-page form detailing lobbying costs. The form is Section II-A of Schedule C, which would be attached to Form 990.³⁷

37. Does the "back-up documentation" need to be included in the tax return? Available for audit?

It does not need to be included in the tax return but should be available for audit.

³⁷ <https://www.irs.gov/pub/irs-pdf/f990sc.pdf>

Appendix B

Consultations and Interviews

Expert Consultations

- Bolder Advocacy webinar “Public Charities Can Lobby: How Your 501(c)(3) Can Influence Policy for the Greater Good”
- Tom Carson – retired CPA, member of LWVLA, LWVUS Finance and Tax Consultant
- Tim Mooney - Senior Counsel, Bolder Advocacy Program
- Susan Finkle-Sourlis – Senior Counsel, Affiliated Organization, Bolder Advocacy Program
- IRS agent tax specialist – Geoffrey (last name unknown)
- Kelley Weigel – Director Uplift Oregon – RISE Partnership
- Erin Zollenkopf – Chief Executive Officer, Susan Matlack Jones and Associates, Bookkeeping for Nonprofits. Local Portland, OR firm.

League Consultations

The consultations and interviews were conducted via phone and email. Interview notes and summaries are on the 501c Committee Google drive and have been available to all board members as they were created.

LWVPDX Members

Adrienne Aiona
Debbie Aiona
Carol Cushman
Elizabeth Domike
Barbara Dudley
Mary Hepokoski
Debbie Kaye
Linda Mantel
Margaret Noel
Janice Thompson
Phil Thor

Other Local, State and LWVUS League Members and Staff

Kim Albert (LWV Seattle, member of a committee also investigating consolidation)
Rick Bennett (LWV Rogue Valley)
Hollis Burges (LWV Chicago treasurer)
Alice Carlson (LWV Coos County)
Tom Carson (past president of California state League)
Marge Easley (LWV Clackamas County)

Leah Edwards (past president of LWV San Francisco and current LWWUS treasurer)
Bonnie Hamlin (LWV of Oakland, CA long-time member and past board member)
Gary Harmon (LWV Lane County treasurer)
Kathleen Hersh (LWV Washington County)
Nikki Jardin (LWVPDX Office Manager)
Julie Anne Kempf (past board member of LWV Washington, current parliamentarian)
Ruth Kistler (LWV Lincoln County and LWWOR treasurer at the time of consolidation)
Leslie Lowe (LWV Klamath)
Becky Simon (LWV of Illinois president)
Norman Turrill (LWWOR president at the time of consolidation)
Kermit Yensen (LWWOR treasurer)

Appendix C

Published Reference Materials

IRS Information

PDF Documents

- [IRS Tax Exempt and Government Entities Exempt Organizations Compliance Guide for 501\(c\)\(3\) Public Charities](#)
- [Election Year Issues](#) by Judith E. Kindell and John Francis Reilly – 2002
- [Lobbying Issues](#) by Judith E. Kindell and John Francis Reilly – 1997

IRS website nonprofit charitable organizations

- [Exemption-requirements-501\(c\)\(3\)-organizations](#)
- [Exempt-purposes-internal-revenue-code-section-501\(c\)\(3\)](#)
- [Political and lobbying activities](#)
- [Restriction of political campaign intervention by section 501\(c\)\(3\) tax exempt organizations](#)
- [Nonprofit lobbying](#)
- [Measuring lobbying substantial part test](#)
- [Measuring lobbying activity expenditure test](#)
- [Social welfare organizations](#)
- [Application for recognition of exemption](#)
- [Types of organizations exempt under section 501\(c\)\(4\)](#)

Bolder Advocacy & Alliance for Justice Documents

- [Advocacy Resource – Keeping Track](#) – A Guide to Record Keeping for Advocacy Charities by John Pomeranz, Alliance for Justice
- [Primer on Social Welfare Organizations](#) using 501(c)(4) Organizations by Alliance for Justice (2016)
- [The Practical Implications of Affiliated 501\(c\)\(3\)s and 501\(c\)\(4\)s](#) by Bolder Advocacy
- [Practical Guidance – What Nonprofits Need to Know About Lobbying in Oregon](#) by Bolder Advocacy
- [Advocacy Resource – The Connection](#) – Strategies for Creating and Operating 501(c)(3)s, 501(c)(4)s Political Organization, Fifth Edition (2024 update) by Holly Schadler
- [Comparison of 510\(c\)\(3\) and 501\(c\)\(4\) Permissible Activities](#)

Documents By Thomas P. Carson

These are internal documents provided by Tom Carson, the retired CPA who is the LWVUS recommended consultant on 501c matters.

- LWV How to Convert to IRC SEC 501(c)3 - February 2024
- LWV Conversion from IRC Sec 501(c) (4) to Sec 501(c)(3)
- League of Women Voters of Portland Merger Timeline Prepared by Tom Carson December 2023 (edited to reflect current LWVPDX names for the 501(c)(3) and 501(c)(4) entities)
- LWV of California – Advocacy, Lobbying and Limits Under Section 501(c)(3) – July 31, 2023

LWV Documents

These are internal documents available to LWVPDX members who have access to the League’s Google drive. If you are interested in one or more of these documents, you can request them from the 501c Committee at membership@lwvpdx.org. Most of these are from the 2014-15 effort that looked at consolidation and were used as background information when the 501c committee was getting started in the fall of 2023.

- LWV 501(c)(3) or (c)(4): Which to Be, or Both? Frequently Asked Questions (June 2018)³⁸
- Undated Response from Greg Leatherwood, Senior Director of Finance LWVUS to Kris Hudson (LWVPDX) including Q&A for League of Women Voters 501(c)(3) vs 501(c)(4) (probably from 2015)
- LWV of Washington 2017 (c3)-(c4) Analysis Questionnaire
- 501(c)(3) 501(c)(4) PRO Statement – Why We Support Consolidation by Margaret Noel and Kathleen Hersh – 2015
- 501(c)(3) 501(c)(4) CON Statement – Why We Think LWV Portland Should Retain Its Current Structure by Carol Cushman and Jan Wolf, former LWV Portland presidents – 2015
- Proposal for Reorganizing the LWV of Portland for May 2015 LWVPDX Local Convention (if the motion to consolidate passed by a two-thirds majority of the member present and voting at the Local Convention)
- Thoughts on the 501(c) Status of LWVPDX by Linda H. Mantel, Development Chair – August 2023
- Dec. 12, 2023, email from Anne Davidson and Debbie Aiona to Pamela Clark and the 501(c)(3)/(c)(4) Committee re: Dec. 14 Committee Meeting
- Need bylaws change for 501(c)(3) by Trish Garner, At Large LWV PDX Board – 2024
- Questions for the Consolidation Study Committee compiled by Audrey Zunkel-deCoursey, VP Admin. (Aug-Sept 2023)

³⁸ [lwvussec501\(c\)\(3\)faqs-1-1-1.pdf](#)

National Council of Nonprofits Documents

- [Taking the 501\(h\) Election](#)
- [Benefits of Filing the 501\(h\) Election](#)
- [Everyday Advocacy](#)

Other Documents

- [Nonprofits and Ballot Measures by Nonprofit Vote](#)
- [Cornell Law School Legal Information Institute, “26 U.S. Code 4911 – Tax on excess expenditures to influence legislation.”](#)
- [Donorbox, “501\(c\)\(3\) vs 501\(c\)\(4\): Key Differences and Insights for Nonprofits”](#)
- [Finance Strategists, “What is the Difference Between a 501\(c\)\(3\) and 501\(c\)\(4\)?”](#)
- [Forbes: “501\(c\)3 Vs. 501\(c\)\(4\): Differences, Pros and Cons”](#)
- [GRF CPAs & Advisers, “501\(c\)\(4\) vs 501\(c\)\(3\) – Which Do I Choose?”](#)
- [NEO Law Group, “Comparing 501\(c\)\(3\) vs. 501\(c\)\(4\) for Nonprofit Startups”](#)
- [Nonprofit Quarterly, “Advocacy and Lobbying Without Fear: What is Allowed within a 501\(c\)\(3\) Charitable Organization?”](#)
- [Sustainability Education for Nonprofits, “Can a nonprofit convert to 501\(c\)\(3\) status from another tax-exempt status?”](#)