

# Attachment A

## League of Women Voters of San Luis Obispo County Conversion of the Local League from 501(c)(4) to 501(c)(3)

- I. "Tax Exempt" means exempt from paying income taxes.
  - A. 501(c)(4)
  - B. 501(c)(3)
  
- II. Differences between the above:
  - A. 501(c)(4) can support or oppose candidates and political parties. However, LWV rules prohibit both activities.
  - B. No limit on lobbying activities of a 501(c)(4) organization.
  - C. "Lobbying" - Two kinds:
    1. Direct - (a) Communications with legislative body or government official to support or oppose a specific piece of legislation, or (b) attempting to influence the public to support or oppose measures on the ballot.
    2. "Grass Roots" - communications with the public to urge them to contact their legislature, etc. to support or oppose specific legislation.
  - D. 501(c)(3) organizations – lobbying activities cannot exceed a "substantial part" of its overall activities.  
[Note: An organization, under 501(h) may elect to define "substantial part" in terms of its overall expenditures. In that case, the organization's expenditures for lobbying cannot exceed 20% of its total expenditures.]
  - E. Contributions and member dues:
    1. May be deductible for donors and members of a 501(c)(3), provided the donor/member does not receive anything of value in return, and itemizes deductions.
    2. Are not deductible for donors or members of a 501(c)(4) organization.
  
- III. Advantages of changing from 501(c)(4) to 501(c)(3):\*
  - A. Easier to raise funds from grantors and donors because they are familiar with the latter and with the deductibility of donations to them.
  - B. Members may be able to deduct dues and out of pocket expenses, such as attending conferences and conventions, to the extent those items are not reimbursed and the member itemizes deductions.
  - C. Local control of all of our funds, including Ed Funds now held by LWVC.
  - E. Ease of bookkeeping – especially when trying to spend Ed Fund amounts.
  
- IV. Disadvantages of changing from 501(c)(4) to 501(c)(3):
  - A. Must keep track of expenditures for lobbying efforts.
  - B. Must document that certain activities, e.g., candidate forums, do not favor one candidate or party over another.
  - C. One-time \$275 fee to convert.

\* As of 6/30/16, approx. 48 Local Leagues (28 in Calif.) and 3 State Leagues have converted.