



Lobbying as 501 (c)(3)? Yes, you can!

For some time, the [Texas Alliance for America's Fish & Wildlife](#) has actively educated individuals, organizations, and companies about the need for greater funding to protect at-risk wildlife species. We have spoken to hundreds of interested individuals and organizations. A common refrain we hear from nonprofit organizations is that, while they support increased funding for fish and wildlife conservation, they are afraid to get involved because they think lobbying would result in loss of their 501(c)(3) nonprofit status. This is an unfortunate misconception based on inaccurate information.

Limitations on lobbying

There are limitations placed on a nonprofit organization's ability to lobby, but a nonprofit is not banned from lobbying. In fact, the limitations are probably much more minimal than most people think. According to the [IRS](#), "in general, no organization may qualify for section 501(c)(3) status if a substantial part of its activities is attempting to influence legislation (commonly known as lobbying)." It is the use of the subjective word "substantial" that has led to concern by nonprofits in the past. In determining whether an organization has lobbied as a "substantial" part of its overall activities, there are two ways a non-profit organization can determine whether it has stayed within limits.

The first way is often used by organizations for whom lobbying is a small part of their expenditures. Each organization must report its lobbying expenditures on to the IRS on Schedule C attached to its 990 report. If this amount is a small amount compared to total expenditures, an organization may choose to rely on this as having met the requirement that lobbying not be a "substantial part" of its activities.

A more definite way to be sure that an organization's lobbying is within the limits is referred to as the "[Expenditure Test](#)". This involves taking the 501(h) election (often referred to as "Election H") described in Section 501(h) of the IRS Code. This test states that "lobbying activity will not jeopardize its tax-exempt status, provided that its expenditures, related to such activity, do not normally exceed an amount specified" based on the size of the organization (see chart below). "[Exempt purpose expenditures](#)" typically includes all expenditures of an organization except for certain fundraising costs, unrelated business income tax, and capital expenditures. In addition to the totals in the chart below, there are also limits to how much of an organization's lobbying can be used for grassroots lobbying (discussed on page 3).

If the amount of exempt purpose expenditures is:	Lobbying nontaxable amount is:
≤ \$500,000	20% of the exempt purpose expenditures
>\$500,00 but ≤ \$1,000,000	\$100,000 plus 15% of the excess of exempt purpose expenditures over \$500,000
> \$1,000,000 but ≤ \$1,500,000	\$175,000 plus 10% of the excess of exempt purpose expenditures over \$1,000,000
>\$1,500,000 but ≤ \$17,000,000	\$225,000 plus 5% of the exempt purpose expenditures over \$1,500,000
>\$17,000,000	\$1,000,000

To use the Expenditure Test, organizations must file [Form 5768](#), Election/Revocation of Election by an Eligible 501(c)(3) Organization to Make Expenditures to Influence Legislation. This election remains in effect for succeeding years unless the organization chooses to revoke it.

Regardless of whether an organization chooses to use the “Substantial Part” or the “Expenditure Test,” lobbying expenditures are reported on Schedule C of [IRS Form 990](#). Organizations with less than \$50,000 in annual gross receipts do not have to file Form 990 and instead may file [Form 990-N \(e-Postcard\)](#). An organization of this size would not have to report lobbying expenses to the IRS; however, organizations do have to keep track of lobbying expenses and activities in case they are audited.

[Additional limits on grassroots lobbying](#)

There are two types of lobbying, direct lobbying and grassroots lobbying (also called indirect lobbying). Direct lobbying is attempting to influence legislation through direct communication with a government official or a person who may participate in the formulation of legislation (including any members or employees of a legislative body). Grassroots lobbying, on the other hand, is attempting to influence legislation by getting members of the general public to contact members of a legislative body, provided the effort includes all of the following three elements:

- Refers to specific legislation
- Provides a view point on the legislation
- Encourages recipients to take some sort of action with respect to the legislation

It is important that an organization understand these distinctions because a nonprofit organization is only allowed to spend up to 25% of its allowed lobbying expenditures on grassroots lobbying. For example, an organization with annual exempt purchase expenditures of \$200,000 can legally spend up to \$40,000 on total lobbying. However, only 25% of that \$40,000 (that is, \$10,000) can be spent on *grassroots* lobbying. To put it another way, for a non-profit organization which takes Election H, only 5% [25% of 20%] of its expenditures can be for grassroots lobbying. The total of grassroots *and* direct lobbying can be up to 20% of expenditures.

If a nonprofit organization states its position on a piece of legislation specifically to its members and NOT to the general public, and asks *its own members* to contact legislators, it is direct lobbying, not grassroots lobbying.

[What activities count as lobbying?](#)

The IRS definition defines lobbying as attempting to influence legislation. Lobbying is when an organization, “...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.”

Organizations may in other ways 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 without jeopardizing their tax-exempt status.” Under this definition, there is a broad range of activities in which organizations can engage with no limitations because those activities are not considered lobbying. Some examples of advocacy not considered lobbying include:

- Working to encourage an administrative agency to change its policies, rules, or regulations, or to adopt new ones.
- Developing a general policy position directed at an issue rather than a specific piece of legislation.
- Providing summaries and status updates of specific pieces of legislation as long as readers are not encouraged to take action with respect to any specific bill.
- Publishing editorial columns that reflect a view on a specific bill, so long as the editorial does not encourage readers to take a specific action in regards to the bill.
- Hosting forums, meetings, etc. with the goal of educating the public on a specific issue.

[Lobbying Disclosure Act](#)

The final federal limitation placed on lobbying relates to the difference between having employees who lobby and employing lobbyists. Under the [Lobbying Disclosure Act](#), if an organization has at least one employee who devotes at least 20% of his or her time to lobbying activities at the federal level and spends \$13,000 or more every quarter on federal lobbying activities, the organization must register and file reports under the act. As the Lobbying Disclosure Act has slightly different definitions of lobbying than the IRS does, and frequently changes its guidance for nonprofits, organizations not taking the 501(h) election (who are permitted to use the 501(h) lobbying definitions) should check the lobbying disclosure web page for the most up to date information.

[Prohibition against electioneering or use of federal funds to lobby](#)

Some other activities are always prohibited for 501(c)(3) organizations. Intervening in a political campaign of any candidate for public office and engaging in any sort of partisan activity are strictly prohibited for nonprofits. Additionally, nonprofits may not use federal funds (grants, contracts, etc.) to lobby, including lobbying for additional federal grants or contracts. Grants from private foundations may also not be used to fund lobbying activities.

[What about individuals?](#)

All of the limitations and rules discussed above apply only to organizations and not to individuals as long as they are acting as private citizens and not as a representative of the organization. This includes staff, volunteers, board members, etc. Being an employee or a member of a 501(c)(3) does not remove an individual's rights as a private citizen. If, however, the individual is representing the organization, then any compensation to the individual, or expenditures by the individual on behalf of the organization, are subject to the organization's limitations.

If an individual wishes to participate in lobbying activities outside of involvement with a 501(c)(3) organization, they must be careful not to exhibit the association with their organization during lobbying activities. This would include actions such as not wearing clothing with that organization's logo, making no specific mention of the organization (verbally or in writing), not using an organization's letterhead or email system, etc.

[Additional resources:](#)

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

<http://www.njnonprofits.org/NPsCanLobby.html>

<https://lobbyingdisclosure.house.gov/>

<https://www.councilofnonprofits.org/taking-the-501h-election>

<http://conservationtools.org/guides/100-lobbying-rules-and-501-c-3-organizations>

<https://nonprofitquarterly.org/2000/09/21/advocacy-lobbying-501c3-charitable-organization-501-c-3/>

<http://npsot.org/wp/story/2017/9867/>