

## Tax-Exempt Organizations and Public Policy

<b>Exempt under Internal Revenue Code Section:</b>	<b>501(c)(3)<sup>1</sup></b>	<b>501(c)(4), (5), (6), etc.</b>	<b>527</b>
<b>Type of Organization</b>	Charitable	Social welfare, labor union, trade association, etc.	Political
<b>Tax Characteristics</b>			
(1) Tax on operating surplus	0%	0%	0%
(2) Net investment income tax	0%	0% <sup>2</sup>	Highest corporate rate <sup>3</sup>
(3) Unrelated business income tax	Corporate rates	Corporate rates	Highest corporate rate <sup>3</sup>
(4) Charitable deduction for donations	Yes	No	No
(5) Business deduction for dues	Yes, but <sup>4</sup>	Yes, but <sup>4</sup>	No
(6) Exemption from gift tax	Yes	Unclear <sup>5</sup>	Yes
(7) Donor disclosure	No	No	Yes
<b>Restrictions on Public Policy Activities</b>			
(1) Public education and advocacy	Unlimited	Unlimited	OK if candidate-related
(2) Direct lobbying (including ballot measures)	Up to 20% if 501(h) elected	Unlimited	OK if candidate-related
(3) Grass roots lobbying	¼ of 501(h) limit	Unlimited	OK if candidate-related
(4) Participation in candidate campaigns	Prohibited <sup>6</sup>	Secondary activity	Dominant purpose <sup>7</sup>

<sup>1</sup> Column applies to public charities, not private foundations.

<sup>2</sup> Beware of the IRC Section 527(f) tax.

<sup>3</sup> Currently 35%.

<sup>4</sup> Beware of the IRC Sections 162(e) and 6033(e) proxy tax.

<sup>5</sup> Rev. Rul. 82-216, 1982-2 Cum.Bull. 220.

<sup>6</sup> Nonpartisan activity OK; partisan activity may also confer prohibited substantial private benefit.

<sup>7</sup> Non-candidate-related expenditures must be insubstantial.