

Keeping it Legal:

Lobbying Rules for Nonprofits

In the nonprofit world, lobbying can sometimes be a dirty word. But did you know that as a 501(c)3, you can lobby? There are some restrictions, as outlined below, but here's a chance to bolster your advocacy efforts and make an impact with decision makers on Capital Hill. Let's be clear before you read any further- this is designed to give you basic information nonprofits and lobbying. For more specific details about your organization, contact your tax professional.

Advocacy Tools- Lobbying

Lobbying is just one form of advocacy that can be part of a bigger campaign with tactics including coalition building, online engagement, education, media outreach and research. It does not include giving money to politicians or their campaigns, but can include reaching out to a specific legislator or group of legislators to express your organization's stance on a specific piece of legislation. So who can lobby?

- **501(c)3 Public Charities** can lobby within specific limits, and even get to choose which set of rules they'll use to govern their activities (more on that in a minute).
- **501(c)3 Private Foundations** may not lobby, except in self defense, and cannot directly fund lobbying, however, they can fund programs and organizations that include lobbying.
- **501(c)4 Social Welfare Organizations** may engage in unlimited lobbying to further their social welfare purpose.

The “No Substantial Part” Test

Okay, so you're a 501(c)3 and you want to know the rules for lobbying. There are two options from which to choose. First, you can follow the “no substantial part” test, which basically means that through a comprehensive overview of your organization, no substantial part is focused on lobbying. There aren't firm numbers for the test, but it looks at a series of facts and circumstances regarding your organization's direct expenditures, volunteer time, staff time, publicity and continuous/intermittent nature of activities to determine if your primary focus is on lobbying. Vague for sure, but that's what the law says. It's also noteworthy that all 501(c)3's fall under this category, unless you choose otherwise and file the appropriate paperwork.



Option 2- 501(h) Election

The second option is as a 501(h) election, which confines lobbying to more specific rules. Here are the basics:

- **501(h) Election** - To fall under this category, your organization must meet all the elements of either direct or grassroots lobbying. Direct lobbying is focused on a specific target or targets that can affect legislation, i.e. members of the legislative and executive branches and specifically reflects your organization's viewpoint. Grassroots lobbying is communication to the general public about a specific piece of legislation, reflecting your organization's view and offering a call to action.
- **Sets clear lobbying limits based on your charitable expenditures** - This option is purely financially driven. You can spend up to 25% of your total expenditures on grassroots lobbying or a progressive percentage of your charitable expenditures on direct lobbying, based on the size of your organization.

501(h) Provides Clear Lobbying Expenditure Limit	
Total Charitable Expenditures	Lobbying Expenditure Limit*
Less than \$500,000	20% of charitable expenditures
Over \$500,000 but not more than \$1 million	\$100,000 plus 15% of total expenditure over \$500,000
Over \$1 million but not more than \$1.5 million	\$175,000 plus 10% of total expenditures over \$1 million
Over \$1.5 million but not more than \$17 million	\$225,000 plus 5% of total expenditures over \$1.5 million
Over \$17 million	\$1 million

- **You must choose this option and fill out the appropriate form.** Your status will automatically be retained until you fill out the form again to revoke it.
- **A few nonprofits cannot choose this option.** Churches, government agencies, public safety testing organizations cannot choose to lobby under the 501(h) election.

And just to make sure you stay out of jail, let's address a couple more rules of lobbying:

- Charities must follow state laws regarding ethics and lobbying
- Membership dues can be used as funding for lobbying, but federal funding and foundation funding cannot.

Clearly, there are a lot of rules and regulations surrounding lobbying as a 501(c)3. If you're looking for more details, or for specific examples, view the [recorded webinar Lobby Rules for 501\(c\)3's: Keeping It Legal](#). You can also visit [Independent Sector's website](#), a Salsa partner, for more resources.

Salsa Labs (Salsa) helps non-profits and political campaigns to build, organize and engage a base of support, more efficiently and effectively. In one easy-to-use, integrated and flexible web-based system, groups of all sizes can manage their supporters and chapters, communicate through email and social media, fundraise, advocate, host events, and measure results. With all that as well as our top-notch training, support and strong online community, Salsa provides you the best value for your investment - letting you focus more resources on your mission. Salsa currently supports more than 2,000 organizations' relationships with more than 75 million donors, members, activists and fans all around the world. We can do more things together than we can apart. www.salsalabs.com.

It's time to try **salsa**

FUNDRAISE

ADVOCATE

COMMUNICATE

ORGANIZE