Political Campaign Activities - Risks to Tax-Exempt Status


Under the Internal Revenue Code, all section 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. Contributions to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violate the prohibition against political campaign activity. Violating this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise taxes.

Certain activities or expenditures may not be prohibited depending on the facts and circumstances. For example, certain voter education activities (including presenting public forums and publishing voter education guides) conducted in a non-partisan manner do not constitute prohibited political campaign activity. In addition, other activities intended to encourage people to participate in the electoral process, such as voter registration and get-out-the-vote drives, would not be prohibited political campaign activity if conducted in a non-partisan manner.

On the other hand, voter education or registration activities with evidence of bias that (a) would favor one candidate over another; (b) oppose a candidate in some manner; or (c) have the effect of favoring a candidate or group of candidates, will constitute prohibited participation or intervention.

https://www.councilofnonprofits.org/tools-resources/political-campaign-activities-risks-tax-exempt-status

Printer-friendly version

In return for its favored tax-status, a charitable nonprofit promises the federal government that it will not engage in “political campaign activity” and if it does, IRS regulations mandate that the charitable nonprofit will lose its tax-exempt status. This prohibition against political campaign activity (defined as “supporting or opposing a candidate for public office”) is SEPARATE from lobbying or legislative activities, which charitable nonprofits ARE permitted to engage in, although knowing the rules is important, as limitations apply.

• Read about lobbying and why advocacy is essential to advancing mission.
• IRS guidance on political campaign activity
• IRS guidance on other risks to tax-exempt status

Similarly, the assets of a charitable nonprofit may not be provided as a campaign contribution to a candidate for public office.
BUT charitable nonprofits MAY engage in voter registration and voter engagement activities.

- Learn what charitable nonprofits can/cannot do in connection with voting and voter engagement (NonprofitVOTE)
- Connect with resources on how to stay nonpartisan while still encouraging voting among your nonprofit staff, board members, and volunteers (Nonprofit Votes Count).

“All charities...are absolutely prohibited from intervening in a political campaign for or against any candidate for an elective public office. If a charity does intervene in a political campaigning, it will lose both its tax-exempt status and its eligibility to receive tax-deductible charitable contributions.” – Source: IRS instructions for Schedule A, IRS Form 990

Nonprofits play an important role in helping to educate the public about issues that affect the community and those served, such as through voter education activities and candidates’ forums.

- Learn how your nonprofit can safely get involved in voter engagement through the resources available at NonprofitVOTE.

Practice Pointers

- Charitable nonprofits and foundations may not “participate in, or intervene in (including publishing or distributing of statements), any political campaign on behalf of (or in opposition to) any candidate for political office.” 26 U.S.C. Section 501(c)(3). This prohibition applies to any and all candidates for federal, state and even local elections. See IRS Regulations, Section 1.501(c)(3)-1(3) (iii).
- The Supreme Court Decision, Citizens United v. Federal Election Commission, does NOT change how other laws limit election-related activities of charitable nonprofits recognized under Section 501(c)(3).
- If a candidate for public office approaches your nonprofit and asks to speak at a function, what should the response be? “NO” if the candidate plans to talk about his or her campaign; “Yes” if the candidate only talks about the charitable nonprofit and topics related to the mission, and if other candidates are also invited. Since it’s difficult to “control the message” when a candidate is speaking, many nonprofits avoid the risks involved in order to scrupulously maintain a nonpartisan position.
- Some have observed that “once a candidate, always a candidate,” however, technically an individual who is an incumbent, and has not announced s/he is running for office, is not a “candidate.”
- Organizations with substantial political or lobbying objectives may be recognized as tax-exempt under Code Section 501(c)(4). The rules that apply to 501(c4) organizations are different from those that pertain to 501(c)(3)s, and permit 501(c)(4) tax-exempt organizations to engage in substantial lobbying, as long as it is “germane” to the organization’s program, among other limitations. (Nonprofit Law Blog)
• Learn how to protect your nonprofit while lobbying by making the “501(h) election”
• Political activities and legislative activities are two different things and subject to two different sets of rules. (IRS)
• IRS Compliance Guide addresses political campaign activity (pp 3-7)

Resources

• Protecting Nonprofit Nonpartisanship (National Council of Nonprofits)
• Election Year Issues, and IRS Publication 1828 discuss the ban thoroughly. (IRS)
• More on election year issues (IRS)
• Your nonprofit in politics (Nonprofit Law Blog)
• Limits on political campaigning for 501c3 nonprofits (NOLO)
• Charities, churches, and politics (IRS)
• Nonprofit Lobbying – Don’t forget to register (Charity Lawyer)