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# Knowledge Nugget #7:

# Lobbying by Community Foundations – What Are The Rules?

# *Quiz Questions*

1. The Freedom of Speech rights in the 1st Amendment to the Constitution apply to charitable organizations. True or false?

False. The Internal Revenue Code, in 1934, determined that, for charities, “no substantial part of the activities” may be for “carrying on propaganda, or otherwise attempting, to influence legislation.”

1. A community foundation cannot, under any circumstances, engage in political campaign activities, which are defined as “All activities that support or oppose candidates for elective federal, state, or local public office.“ True or false?

True.

1. Generally, either grassroots or direct lobbying communications needs to refer to a specific piece of legislation and reflect a view on the legislation before it the activity will be considered “lobbying”. True or false?

True.

1. A community foundation that wishes to clarify their expenditure limits for lobbying can file Form 5768 *“Election/Revocation of Election by an Eligible Section 501(c)(3) Organization to Make Expenditures to Influence Legislation”.* True or false?

True

1. Which of the following is true for a community foundation that files Form 5768?
   1. The 501(h) election provides for a fixed dollar limit to the “lobbying nontaxable amount” that is based on the community foundation’s exempt purpose expenditures.
   2. Form 5768 can be filed and applied retroactively to the first day of the year in which it was filed.
   3. The 501(h) election is then in effect for all subsequent years unless revoked by filing a second version of the 5768.
   4. All of the above.

d. All of the above

1. What are the penalties for a community foundation that has taken the 501(h) exemption that exceeds the expenditure limits for lobbying?
   1. A 25% excise tax on excess expenditures
   2. Potential revocation of charitable status
   3. 30 lashes with a wet noodle
   4. Answers “A” and “B” above

d. Answers “A” and “B” above

1. If a community foundation his not taken the 501(h) exemption, there is no need for them to file Schedule A on the Form 990. True or false?

False. An organization that answered "Yes" on Form 990, Part IV, Checklist of Required Schedules, line 4 must complete the appropriate parts of Schedule C and attach Schedule C to Form 990. *“Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year?”*

1. Suppose Congress proposes legislation that would impose a 1% excise tax on all community foundations. If staff members contacted their senators and representatives and asked those legislators to oppose that bill, would that lobbying be subject to the lobbying limitations impose on all charitable organizations?

No. There is no limit on lobbying that is considered “self-defense” lobbying. “Self-defense” lobbying is communications with legislators or their staff (but not the general public) on possible action that might affect the community foundation’s existence, powers and duties or tax-exempt status.