

# Tax Corner: Lobbying Restrictions for 501(c)(3) Organizations

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*Q: What are the restrictions on a 501(c)(3) organization's ability to lobby?*

A: Lobbying may not constitute a "substantial part" of a 501(c)(3)'s overall activities. This is a subjective determination that has been interpreted differently among the courts and in various IRS rulings. However, most 501(c)(3) organizations can elect to be treated under the bright-line lobbying expenditure rules set forth in Section 501(h) of the tax code. An electing organization can spend a certain percentage of its overall expenses on lobbying-related activities. The percentage varies on a sliding scale and there is a more restrictive cap on grass-roots lobbying expenditures (e.g., an organization with total expenses of \$1 million can spend \$175,000 on lobbying, \$43,750 of which can be for grass-roots lobbying). Lobbying expenditures above these permissible amounts are subject to a 25 percent tax. The 501(h) election is made by filing IRS Form 5768.

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