

Political involvement in an election year

Although you and your organization's employees may be personally engaged in the political process this presidential election year, you need to be careful about your nonprofit's political activities. Making a mistake about election involvement can threaten your organization's exempt status — and its mission.

The IRS defines election activities as “directly or indirectly participating in, or intervening in, any political campaign on behalf of or in opposition to any candidate for elective public office.” IRS rules regarding political activity apply to elections and candidates at the federal, state and local levels. Which rules apply depends on your organization's nonprofit designation.

501(c)(3) organizations

Public charities and private foundations are held to the strictest rules. The IRS prohibits these organizations from campaign intervention, which is described as “any and all activities that favor or oppose one or more candidates for public office.” This includes making contributions to a candidate, making statements or distributing materials in support of or opposition to a candidate, and other election activities.

Your organization is allowed to promote the overall political process — so long as your efforts are nonpartisan. That means you can conduct a voter registration drive or sponsor a candidate forum that includes every candidate.

The “other” 501(c)s

The rules are slightly different for 501(c)(4), 501(c)(5) and 501(c)(6) organizations, which include social welfare and labor organizations, and trade associations (or what the IRS refers to as Business Leagues). These groups are allowed to be involved in political campaigns for or against a particular candidate to the extent that what they do politically “does not constitute the organization's primary activity.”

However, remember that, if your organization is one of these types, political activity expenditures may be subject to tax under Internal Revenue Code Section 527(f).

Risky business

Keep in mind that the IRS views election activities and lobbying as separate activities. The guidelines outlined above only cover election activities. Know the rules and how they impact what your organization can and can't do. Doing so will preserve your tax-exempt status.