



CONVENTION 2021

LWV LEAGUE OF WOMEN VOTERS'
OF ILLINOIS

60th Biennium: Uplifting Democracy, Equity and Our Ideals

PROPOSED BYLAWS AMENDMENTS AND ARTICLES OF INCORPORATION AMENDMENTS RELATED TO THE LWVIL TRANSITION TO 501(c)(3) FOR THE 2021-2023 BIENNIUM

501(c)(3) TRANSITION REPORT - FAQ SUPPLEMENT

Additional details based on questions from members and delegates.

WHY IS IT IMPORTANT TO MAKE THIS CHANGE TO 501(C)(3)?

Becoming a single organization **will create increased capacity** for all LWVIL mission work **without an increase in costs**; with **no change** in LWVIL or local League capacity to lobby or advocate; with **no change** in status or function of local leagues.

The maintenance of two separate entities is overly burdensome and inefficient to achieve the LWVIL mission.

There are both cost and time inefficiencies involved with operating two entities:

- Duplicate expenses such as annual audits, tax filings, licenses, letterhead
 - Dual paperwork involved is a resource constraint as well
- Redundant functions and bookkeeping such as more bank accounts to reconcile
- Complexity of inter-company bookkeeping
- Operating two separate boards, board meetings
- Many of these operational aspects are performed by volunteers, taking their time away from mission activities

WHERE DO THE LOBBYING EXPENDITURE LIMITS COME FROM?

Section 501(h) of the IRS tax code allows 501(c)(3) organizations to choose to measure lobbying activities by expenditures rather than time.

- The IRS Section 501(h) provides clear formula guidelines for lobbying expenditure limits, based on an organization's total operating expenses.
- For organizations with < \$500k in annual expenses, the limits are :
 - Up to 20% of total expenditures can be lobbying-related
 - Within total lobbying expenditures, up to 5% of total expenditures can be grassroots

WHAT WERE 2019-21 LOBBYING EXPENDITURES FOR LWVIL/LWVILEF ?

LWVIL evaluated lobbying activities of the past biennium. Here are the ALLOWED IRS limits based on expenditures, vs. our ACTUAL lobbying expenses.

2019-2020 - Total Operating Expenses \$386,000

- Allowed - \$77,200 total lobbying (20%), with up to \$19,300 as grassroots (5%)
- Actual total lobbying - \$12,677
- Actual grassroots lobbying - \$9,620

2020-2021- Total Operating Expenses \$253,000

- Allowed - \$50,600 total lobbying (20%), with up to \$12,650 grassroots (5%)
- Actual total lobbying - \$810
- Actual grassroots lobbying - \$760

IS PMP CONSIDERED A LOBBYING COST?

No, no part of the per-member-payments (PMP) that local Leagues make to LWVIL or LWVUS count towards a League's lobbying expenditure limit. PMP revenue is not earmarked for lobbying expenditures in the higher League budgets; rather they are general support funding.

IRS agents regularly ask questions about PMPs in reviews of 501(c)(3) applications, but have never suggested that any part of them should be characterized as lobbying expenditures.

DOES BEING A 501(C)(3) PREVENT LWVIL FROM HIRING A LOBBYIST?

501(c)(3) organizations can hire a lobbyist. As you can see above, the LWVIL currently is well within its expenditure limits for lobbying totals. However, the power of LWVIL as a grassroots organization is that members, as legislative constituents, are our most effective lobbyists.

Hiring of consultants or staff to perform any activity for the organization requires an evaluation of all staffing needs and funding capacity. The LWVIL continues to benefit from member volunteers performing a variety of its core mission and operational functions.

DOES THE CHANGE TO A 501(C)(3) PREVENT LWVIL FROM CREATING A 501(C)(4) ENTITY FOR LOBBYING PURPOSES?

Not at all. Should a need arise in the future, LWVIL itself could remain a 501(c)(3) but could create a new state League entity as a 501(c)(4), such as an LWVIL Action Fund.

WHAT LOCAL LEAGUES ARE ALREADY A 501(C)(3)?

31% (approximately 1200) of LWVIL membership is already in a 501(c)(3) local League

- 2017 - Glenview-Glencoe and Oak Park/River Forest
- In the current biennium, 7 local leagues and one ILO became a 501(c)(3) or are in the process
 - Downers Grove, Chicago, Greater Peoria, Park Ridge, St. Clair County, Evanston, Elgin Area, Cook County ILO
- Five of the eight largest local Leagues are 501(c)(3) or in the process

WHO ARE THE LWVIL TAX AND LEGAL ADVISORS?

LEGAL ADVISOR

Janet Goelz Hoffman and Katten Muchin Rosenman LLP

Janet Goelz Hoffman is Pro Bono Counsel at Katten Muchin Rosenman, LLP, a national law firm, coordinating the firm's transactional pro bono portfolio. Janet has spent approximately 40 years advising nonprofit organizations throughout the United States [35 states] on issues related to financings, board governance and conflict of interest issues. Janet coordinates a **team** of Katten lawyers and paraprofessionals that have provided pro bono services to LWVIL and its affiliates since January of 2019.

TAX ADVISOR

Tom Carson. LWVUS Tax Consultant

Tom Carson has a strong financial background. Having earned a MBA, he served as a tax partner in a large international accounting firm, then as chief financial officer for several publicly traded entertainment companies. Upon taking early retirement, Tom has focused on financial and tax management for nonprofit organizations.

Tom has been a League member for 38 years, participating in a wide range of League activities, including voter service and financial/tax management. He has served as president of his local League, treasurer of the Los Angeles County ILO, and treasurer of the California state League. For the last ten years one of his major efforts has been consulting with state and local Leagues across the country which wish to convert to single entity 501(c)(3) organizations; so far, he has assisted more than 80 state and local Leagues in this process. As an example, in 2017 he assisted LWV Glenview and LWV Oak Park to convert, and for the last 18 months he has been assisting the LWVIL 501(c)(3) Committee on both the state League conversion and assisting more Illinois local Leagues in the conversion process.