

Local League Education Fund Guidelines

As subsidiaries of the League of Women Voters of Illinois, local leagues are categorized by the IRS as 501(c)4 nonprofit corporations. Because 501(c)4 charitable organizations are allowed to take positions on political issues and engage in activities that could influence legislation or elections, donations to local leagues are not tax-deductible, even if a local league does not actively lobby.

In order to offer donors the opportunity to support the mission of LWVIL and the benefit of tax-deductibility, the State League has established the **League of Women Voters of Illinois Education Fund**: a separate, 501(c)3 nonprofit corporation organized under its own bylaws for the purpose of supplementing and expanding the educational work of the State league. Donations to LWVILEF are tax-deductible, in whole or in part, because the IRS prohibits 501(c)3 organizations from lobbying or endorsing candidates.

Most local leagues have also established their own Education Funds, allowing them to solicit and accept tax-deductible contributions. Examples of projects that may be financed by tax-deductible donations to local league Education Funds include: publications such as directories of local officials or services providers; development of a website; voter service activities and registration drives; public forums and debates; research studies with published results; and State of the Community events.

The IRS has firm rules for using the financial resources of Education Funds:

- The project must be educational
- The project must inform the public in a fair and objective manner
- The project cannot advocate a particular position on legislation or urge action that could affect elections
- The project must be nonpartisan
- The project must be open to the general public, not League members exclusively
- The project cannot be used solely to promote League membership

Education Fund money may also be used to satisfy up to 25% of a State PMP; up to 50% of a National PMP; and up to 25% of the annual general liability insurance premium.

Managing Education Fund Finances

To ensure strict compliance with IRS regulations regarding nonprofits, local league Education Fund accounts are managed by LWVILEF. This money is held in trust and may never be spent by LWVILEF on its own behalf, but rather only at the direction of a local league.

The process for managing a local league Education Fund account is quite simple:

1. **At least one month before beginning an Education Fund project**, submit an "Application for LWVIL Education Fund Project" to the State Treasurer, along with a detailed budget itemizing the expected income and expense. The Treasurer will send written approval or, if necessary, contact the local league

for more information. Planning is important: The balance in the local league Education Fund account must be sufficient to meet expenses as they will occur.

2. Once approval has been received, use an "Income and Expense Submission Form" to request the payment of project expenses. Payment may be made directly to a vendor or through reimbursement to a member who has paid for approved expenses. Invoices, receipts, or other documentation of expenses and reimbursements must be included, but copies, PDFs, and faxes of documentation are acceptable. Payments are mailed from the State office.
3. Donations or other income, such as event registrations, should be mailed to the State league office, along with an "Income and Expense Submission Form" showing the number and total dollar amount of the checks submitted. Only checks or Paypal are accepted (see "Local League Use of PayPal for Education Fund Payments"). Never mail cash. Checks should be made payable to LWVILEF; the name of the local league may be added or entered into the memo line.
4. Payment of PMPs and the general liability insurance premium, up to the portion permissible, does not require approval. Simply submit an "Income and Expense Submission Form" requesting payment.

Local leagues are responsible for maintaining their own accounting records as well as ensuring that only individuals authorized to direct the use of Education Fund accounts do so. To assist with accounting accuracy, LWVILEF sends local league Treasurers a report of the balance in their account at the end of each month in which there has been financial activity. A fiscal year-end report is sent to all local league Treasurers in July of each year. An interim report is available at any time upon request.

Things to Remember:

- Any violation of the regulations regarding 501(c)3 activities may result in the revocation of nonprofit status.
- The State League manages only local league Education Funds (501[c]3), not operating funds (501[c]4).
- Local league Education Funds are encouraged to fundraise for financial support. However, Education Funds may not finance events organized solely for purposes of soliciting new league members, although membership materials may be made available at Education Fund events.
- Income should be paid directly to a local league Education Fund. Do not deposit checks into your league's 501(c)4 operating account first and send a check from that account.
- Local leagues must maintain a balance of \$25 in their Education Fund accounts.

Acknowledging Donations

We recommend that all donations be acknowledged by a local league officer, but there are two important IRS regulations to note. First, every contribution of \$250 or more must be acknowledged in writing, mentioning the date and amount of the gift. Second, acknowledgements or receipts must be sent for every payment of \$75 or more when the item received in return is of lesser value than the payment. For example, if a donor paid \$75 for a ticket to a State of the Community Dinner and the value of the meal was \$40, the tax-deductible portion of the payment is \$35 (the amount in excess of the value of item received). Local leagues are responsible for sending acknowledgements and receipts, which should note the amount paid and the estimated tax-deductible portion.