

LWV Oak Park & River Forest Becoming a 501(c)(3) Organization - Frequently Asked Questions

1. What is 501(c)(3) anyway?

Answer: 501(c) is an IRS law that sets out rules for non-profits to qualify for income tax exempt status. It has subsections, including (c)(3) and (c)(4). The Leagues (national down to local) have historically been (c)(4)s, which is what Oak Park & River Forest is currently. Ed Funds are (c)(3)s.

2. Why be a (c)(3)?

Answer: 1) Members' dues become tax deductible as do contributions. 2) We would not have to run our biennial revenues and expenses for the State of the Villages Fundraiser through the state Ed Fund, eliminating extra work for the treasurer while saving administrative money charged by LWVIL. 3) The Treasurer position would only have to keep track of one account, not two. 4) We could buy goods sales tax free without having to go through the Ed. Fund. 5) We could apply for grants from agencies and foundations if we wanted to.

3. Can a (c)(3) advocate?

Answer: Absolutely. Leagues have historically been (c)(4)s so they could lobby, which is not the same as advocacy. Lobbying is trying to influence elected representatives to vote a certain way on bills. As long as a League spends less than 20% of its annual expenditures on lobbying the League can be a (c)(3). LWV OPRF spends well below that amount.

4. Does LWV OPRF need to incorporate to become a (c)(3)?

Answer: No. The Illinois Attorney General web site states that a charitable organization may operate as an incorporated organization or an unincorporated association. LWV OPRF always operated as an unincorporated association, as do most Leagues.

5. Is the fact the LWV OPRF pays dues to LWVIL and LWVUS, which are (c)(4)s, a problem if we becomes a (c)(3)?

Answer: No. While a (c)(3) may not make contributions to a (c)(4), the Leagues dues are not contributions, because the Leagues receive services from state and national in exchange for the dues. Examples of things local Leagues receive from state and national in exchange for dues are these: the right to use the League name and logo; support and materials for state and national studies; information about pending bills in the legislature and Congress to facilitate the local League's advocacy; biannual meetings that provide Leagues with educational seminars and opportunities to network and strategize with other Leagues and members; and guidance on operating a local League. California Leagues who converted from (c)(4) to (c)(3) worked with IRS agents to resolve the issue of dues as contributions when they converted, and received a favorable determination letter from IRS on this issue.

6. Are other Leagues converting from (c)(4) to (c)(3)?

Answer: About 80 Leagues around the country have converted from (c)(4) to (c)(3). Many are in states where the state League has not converted, including St. Louis, Austin, Dallas and Santa Fe. State Leagues that have converted are Wisconsin, Oregon, Minnesota and Nevada. Indiana's state League just voted to convert. In Illinois, LWV Glenview/Glencoe is voting on conversion at their annual meeting this year.

7. If LWV OPRF becomes a (c)(3) will it need to register with the Illinois Secretary of State as a charity?

Answer: No. A charitable contribution is a donation or gift to or for the use of, a qualified organization. It is voluntary and is made without getting or expecting to get anything of equal value.

8. How much does it cost to apply for (c)(3) status?

Answer: The amount of the user fee depends on the applying organization's average annual gross receipts. If the organization's average annual gross receipts have exceeded or will exceed \$10,000 annually over a four-year period, the fee is \$850. If gross receipts have not exceeded or will not exceed \$10,000 annually over a four-year period, the user fee is \$400. An applicant must certify its gross receipts in Part XI.

9. Who will do the filing?

Answer: We will. Since so many Leagues have done this before us, we can also get guidance from them.

10. How long will it take to get a reply to our request?

Answer: It is difficult to say since it depends on many factors including IRS workload, backlog, etc.