# Steps for Local Leagues to Obtain 501(c)(3) Status

## Bylaws

The IRS and LWVUS each have requirements for the bylaws of a local League. The bylaws requirements are as follows:

1. ***The lawyer for LWVTX suggests the following text to satisfy both LWVUS and IRS:***

### ARTICLE II. PURPOSES AND POLICY

### Section 1. Purposes

a. The purposes of the LWVTX are to promote political responsibility through informed and active participation in government and to act on selected governmental issues.

b. The corporation is organized and operated exclusively for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Notwithstanding any other provision of these bylaws, the corporation (or association) shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under such provisions of the Internal Revenue Code. No substantial part of the activities of the corporation shall be attempting to influence legislation.

***2. The IRS requires that all members of the group exemption have the same fiscal year as the parent organization.***

The state League’s fiscal year is June 1-May 31. If your League needs to change its fiscal year, this is more than a bylaw change. You must also apply to the IRS, because your fiscal year controls the due date for your 990 tax return. You will need to file [Form 1128](https://www.irs.gov/pub/irs-pdf/f1128.pdf), Application to Adopt, Change, or Retain a Tax Year, which can be downloaded at [www.irs.gov](http://www.irs.gov). There is no fee to do this; however, the IRS will get upset if you try to change your accounting period more than once in the course of a year or two.

### ***3. LWVUS requires a dissolution clause that keeps assets within LWV, and the state League requires that all cash and cash equivalents go to LWVTX or its successors so that they can pay off any creditors from the local League’s dissolution.*Example:****Section 6. Distribution of Funds on Dissolution**

In the event of the dissolution of the LWV-XXX, after paying or making provision for the payment of all the liabilities of the LWV-XXX, all assets of the LWV-XXX shall be distributed to the League of Women Voters of Texas Education Fund or its successor that is recognized as exempt under Internal Revenue Code Section 501(c)(3), or the corresponding section of any future federal tax code. Should the state League no longer be in existence, then all assets should be distributed to an equivalent organization that is part of the League of Women Voters national organization. If no such organization is then in existence, then the LWV-XXX assets, after paying or making provision for the payment of all the liabilities, shall be distributed for one or more of the LWV-XXX exempt purposes within the meaning of Internal Revenue Code Section 501(c)(3), or shall be distributed to the federal government, or to a state or local government, for a public purpose.

The manner of distribution and recipient(s) of the LWV-XXX assets shall be determined by the board or such other persons as shall be charged by law with the liquidation or winding up of the LWV-XXX and its affairs.

***4. The IRS requires a conflict of interest policy.***

The conflict of interest policy itself is in your Policies and Procedures. Your bylaws only need to state that your board must create a policy.

Example (typically a section under Financial Administration):

The board of directors shall adopt a conflict-of-interest policy and an annual disclosure process that applies to all officers and directors of LWV-xxx.

An example of a conflict of interest policy is below:

3.4 Conflict of Interest

3.4.1 Members of the state board shall not receive compensation, such as salaries or stipends, for services rendered, nor shall they sell professional services or products to the League deemed necessary to carry out the mission of the organization.

3.4.2 The executive administrator shall not be a member of the state board. (It is considered inappropriate for those earning a salary or fee to be a part of the decision making body that hires, fires, and determines salary and benefits.)

3.4.3 Members of the state board may accept modest honoraria or gifts for speeches or other activities rendered to others on behalf of the state League. Other honoraria or gifts shall be given to the state League.

3.4.4 In any matter in which a state board member or the member's family has a substantial financial interest, the board member shall refrain from participating in the discussion prior to a vote, refrain from attempting to influence the outcome of a vote, and abstain from voting.

3.4.5 In the interest of openness and transparency, all board members, staff, and issue chairs shall sign an annual disclosure form and include current employment, current service on other boards of directors, and/or family or business relationships with voting or nonvoting LWV-TX directors or employees, whether or not deemed a conflict of interest. See form on page 34.

## Application to become a member of a 501(c)(3) Group Exemption.

If your League would like to be a member of a 501(c)(3) group exemption, then your board must pass a resolution and send confirmation of that resolution, including the date it was passed and the names of the board members, to the state League. The state League has set a deadline of May 25 for that request. However, there is a 15-month grace period from the date the group exemption application is filed. The request can be in an email or by mail.

The communication needs to include the following (or you can use the attached form):

* Your request to be included in the 501(c)(3) group exemption.
* You must attest that you are not a private foundation. The IRS says that you are not a private foundation if
you normally receive more than one-third of your support from contributions, membership fees, and gross receipts from activities related to your exempt functions, or a combination of these sources, and not more than one-third of your support from gross investment income and net unrelated business income.
* Your League’s EIN and formal name.
* The date the resolution to be included was passed by your board.
* The name and title of the board officer certifying the vote.
* The mailing address for the IRS to contact your board, should that be necessary.
* Your League’s physical address. If you don’t have a physical address, leave that space blank.
* A copy of your League’s bylaws.
* A copy of your League’s conflict of interest policy.
* Payment for your share of the cost. Leagues with fewer than 55 members on January 31 pay $50; Leagues with 55 or more members pay $100. Payment can be made by check, by credit card through the LWVTX web site, or by transfer from your League’s Ed Fund.

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| Mailed requests should go to: | eMailed requests should go to: |
| League of Women Voters of Texas1212 Guadalupe Street, suite 107Austin, TX 78701-1800 | mcfoshaylwv@gmail.comcc: lwvtexas@lwvtexas.org |

# Request to Join a 501(c)(3) Group Exemption

The board of directors of the League listed below has voted to be part of a 501(c)(3) group exemption as a subordinate organization of the consolidated League of Women Voters of Texas. In addition, the board attests that the organization is not a private foundation. \_\_\_\_\_\_\_
 Initial here

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| **League name** |  |
| **Date of vote to:**(Should be annual meeting date) | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Change/adopt bylaws | \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Change fiscal year (enter N.A. if no change) | Start month for previous fiscal year\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Start month for current fiscal year\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ |
| **EIN** |  |
| **Mailing address** |  |
| **Physical address (if different)** |  |
| **Certifying board officer and title** |  |
| **Fee (check one)** |  $50 ⬜ (fewer than 55 members as of 1/31/2018)$100 ⬜ (55 or more members as of 1/31/2018) |
| **Fee to be paid by (check one):** |  ⬜ Check ⬜ Credit card (at LWVTX web site) ⬜ Transfer from my League’s Ed Fund |

I have attached my League’s:

⬜ Proposed bylaws, with required modifications as described above

⬜ Conflict of Interest policy

⬜ A list of board members who have approved this request, including their positions

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