

**Why the League of Women Voters of Chicago (“LWV Chicago”)
Is Seeking Approval at the 2020 Annual Meeting
to Convert from
A 501(c)(4) to a 501(c)(3) Entity**

What are the differences between a 501(c)(4) and a 501(c)(3) organization?

1. Both are non-profit organizations and are exempt from federal income tax.
2. A 501(c)(3) organization is organized and operated for charitable purposes. The League of Women Voters of Illinois Education Fund (“LWVIL Ed Fund”) and a few local Illinois Leagues (including Glencoe/Glenview and Oak Park & River Forest) have 501(c)(3) status.
3. Contributions (including a portion of our dues) to 501(c)(3) entities are often tax deductible to the donor.
4. A 501(c)(4) organization is organized and operated for social welfare purposes. The LWV Chicago, along with the League of Women Voters of Illinois (“LWVIL”) and most other Illinois local Leagues, is a 501(c)(4) organization. Such organizations can participate in activities that would not be considered “charitable,” such as lobbying, and still retain their tax-exempt status.
5. However, 501(c)(3) organizations can engage in lobbying activities as well, provided that such lobbying activities are deemed “insubstantial” under the IRS regulations. They must also be non-partisan, which, of course, League principles already mandate.

How does a 501(c)(3) organization determine whether its lobbying activities are “insubstantial”?

1. One way to determine whether the lobbying activities are indeed insubstantial is for the 501(c)(3) entity to make an election under Section 501(h) of the IRS code by making a one-time submission of IRS Form 5768. This allows the entity to measure the amount of its lobbying activities by the dollar amounts spent on those activities, and not based on the amount of time spent pursuing those activities.
2. In the case of the LWV Chicago, which has a budget far less than the \$500,000 threshold, the LWV Chicago can spend up to 20% of its budget on “lobbying” activities, and up to 5% of its budget on “grassroots lobbying” activities. See the document entitled “Differences between 501(c)(3) and 501(c)(4) Organizations” for more information, including the definitions of those terms.
3. The LWV Chicago does little or no grassroots lobbying in most years.
4. The LWV Chicago spends very little, if anything, on lobbying activities each year. All of these activities are done by unpaid Chicago League members. Most of the lobbying activities are done by these unpaid members through phone calls or emails or visits to members of the state-wide or municipal governments. These activities do not involve any dollar expenditures. The LWV Chicago has, from time to time, had some materials printed that could fall under the lobbying definition, but these printing costs have never exceeded 20% of the yearly budget in at least the last 15 years.
5. The LWV Chicago will need to keep records of the amount spent on lobbying and grassroots lobbying activities each year, but this should not be time-consuming or difficult.

What are the advantages of the LWV Chicago converting to a 501(c)(3) organization?

1. Donations to the LWV Chicago would be tax-deductible to the donor, to the extent permitted by law. As a 501(c)(3) LWV Chicago will be qualified to apply for more grants.
2. The LWV Chicago, while separately incorporated, has its income tax- exemption as a 501(c)(4) entity through a group designation of other Illinois Leagues under the LWVIL. The LWVIL received direction at the 2019 Annual Meeting to proceed to take the necessary steps to convert to a 501(c)(3). A conversion to a 501(c)(3) is a trend the state and many leagues around the country are identifying as being the most practical tax structure for league work.
3. Once LWV Chicago converts to a 501(c)(3), we can transfer our Ed Fund to the new entity and, not only have full control over our monies, but also only have to keep one budget.
4. The LWVIL intends, as part of its filing to convert to a 501(c)(3) entity, to seek group designation for all the Illinois Leagues then under the LWVIL's 501(c)(4) group designation to be deemed 501(c)(3) entities. Other state Leagues that have tried to obtain such a group designation for their local Leagues under 501(c)(3) have been unable to do so.

Why is the LWV Chicago seeking authority at this 2020 Annual Meeting to start the process of doing the conversion now?

1. The LWV Chicago has the support and attention of the LWVIL and the support and attention of the law firm Katten Muchin on a pro bono basis to proceed to take the necessary steps to do the conversion now.

What are the incremental costs for obtaining 501(c)(3) authorization?

1. There are several fees for one-time filings:
 - a. Filing with the Illinois Secretary of State to amend the Articles of Incorporation: \$50
 - b. Application to be a 501(c)(3) organization with the IRS: \$600
 - c. Initial filing with the Illinois Attorney General as a 501(c)(3) entity that varies depending on whether or not it is filed before any fundraising occurs: \$15 to \$300
2. There is one additional filing with the Illinois Attorney General that will need to be done each year thereafter: \$15
3. LWV Chicago is already required to do an annual filing with the Illinois Secretary of State and this requirement will remain, so this is not an incremental fee: \$10

What do the delegates need to do to allow the LWV Chicago to proceed with the conversion to a 501(c)(3) entity?

1. Vote to authorize the conversion.
2. Vote to amend the LWV Chicago's bylaws to insert language which the LWV Chicago is advised must be in the bylaws to be able to obtain a 501(c)(3) designation from the IRS.
3. Vote to amend the LWV Chicago's Articles of Incorporation to insert that same 501(c)(3) language.

The LWV Chicago Board recommends an "aye" vote by members on the above.

What will the LWV Chicago Board do assuming such an “aye” vote?

The Board will then proceed to work with the LWVIL and Katten Muchin to do the necessary filings to obtain 501(c)(3) designation and will keep its members informed as to their progress.
THEIR PROGRESS.