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IRS Releases Proposed Regulations Regarding Permissible Political Activities of Tax-Exempt Social Welfare Organizations

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On November 26, 2013, The Treasury Department and IRS released proposed regulations under Section 501(c)(4) of the Internal Revenue Code. The proposed regulations define more clearly permissible political activities of organizations operated exclusively for the promotion of social welfare under Section 501(c)(4). The proposed regulations when finalized, will replace the existing “facts and circumstances” test with a “bright-line rule” to determine when 501(c)(4) organizations are engaged in political activities that do not promote social welfare.

The proposed regulations provide that the promotion of social welfare does not include direct or indirect “candidate-related political activity”. The term “candidate-related political activity” is defined as certain communications, contributions and election-related activities that do not promote social welfare. The definition of communications, contributions and election related activities are outlined below:

COMMUNICATIONS:

- Expressly advocates for a clearly identified candidate of a political party.
- Communications that are made within 60 days of a general election (or within 30 days of a primary election) and clearly identify a candidate or political party.
- Communications expenditures that must be reported to the Federal Election Commission.

CONTRIBUTIONS:

- Contributions to candidates for federal, state or local elective office (cash or anything of value).
- Grants to section 527 political organizations and other tax-exempt organizations that conduct candidate-related political activities.

ELECTION-RELATED ACTIVITIES:

- Conducting voter registration drives and “get-out-the-vote” drives.
- Distributing any material prepared by or on behalf of a candidate or by a section 527 political organization.
- Preparing or distributing of voter guides that refer to candidates (or, in a general election, to political parties).

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- Hosting or conducting an event within 60 days of a general election (or within 30 days of a primary election) at which a candidate appears as part of the program.

The IRS and Treasury Department invite comments on the proposed changes and other aspects of the tax-exempt qualification requirements, including what proportion of a 501(c)(4) organization's activities must promote social welfare, and whether similar standards should be adopted regarding 501(c)(5) and 501(c)(6) organizations to standardize the class of political activities that do not further the tax-exempt purposes. Written or electric comments must be received by February 27, 2014.

Click [here](#) for a full copy of the proposed regulations.

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