



CONVENTION 2021

LWV LEAGUE OF WOMEN VOTERS'
OF ILLINOIS

60th Biennium: *Uplifting Democracy, Equity and Our Ideals*

PROPOSED BYLAWS AMENDMENTS AND ARTICLES OF INCORPORATION AMENDMENTS RELATED TO THE LWVIL TRANSITION TO 501(c)(3) FOR THE 2021-2023 BIENNIUM

LWVIL is asking delegates to vote YES on two amendments to the LWVIL Bylaws and the same two amendments to the LWVIL Articles of Incorporation. **This language change is an IRS requirement. The change will allow the LWVIL to take the next step to apply to the IRS for 501(c)(3) tax exempt status.** *The proposed amendments to the Bylaws and Articles of Incorporation are provided on the last two pages of this document.*

BACKGROUND

LWVIL began looking at the transition to becoming a single 501(c)(3) organization per a vote at the 2017 convention. At the 2019 convention, the Board recommended making this transition and membership voted to move forward.

LWVIL has spent the past two years working on the steps to transition to a single entity 501(c)(3) status. In addition, several local Leagues have started the process, and in the past fiscal year four local Leagues in Illinois achieved 501(c)(3) status with the IRS.

LWVIL CURRENT STRUCTURE

LWVIL is made up of two separate organizations: the League of Women Voters of Illinois (LWVIL), the membership organization, and the League of Women Voters of Illinois Education Fund (LWVILEF). LWVILEF has no members and is managed by the LWVIL Board of Directors.

By law, all businesses have a tax status; many nonprofit organizations are classified as either 501(c)(4) or 501(c)(3). LWVIL is a 501(c)(4) entity and LWVILEF is a 501(c)(3) entity.

For the past decade, Leagues all over the country have been successfully transitioning to operate as a single 501(c)(3) organization. To date, 175 Leagues, 14 state and 161 local, have done so.

SIMPLE COMPARISON OF 501(c)(3) and 501(c)(4)

This chart offers a brief look at IRS distinctions between the two types of entities.

501(c)(3)	501(c)(4)
A public charity , organized for charitable or educational purposes.	A social welfare organization , organized for social welfare purposes.
Cannot support or oppose candidates for elected office and political parties.*	Can support or oppose candidates for elected office and political parties.*
Donations and member dues are deductible as long as nothing is received in return and donations are not specifically restricted for lobbying activities.	Donations and member dues are not deductible for donors or members.
Lobbying activities cannot be a substantial part of an organization's activities.	Lobbying activities are not limited.

*This distinction is irrelevant because LWV internal rules prohibit this type of political activity.

LWVIL WILL BE MORE POWERFUL AS A SINGLE ENTITY

Functioning as one organization means spending less time and money on duplicate administration and operations tasks. Reducing administrative costs allows LWVIL to maximize the fundraising dollars raised as a benefit of being a 501(c)(3) organization. All of this adds up to more time and money for the real work of the League—mission work and supporting the work of local Leagues with administrative guidance.

REDUCED ADMINISTRATIVE COSTS

Becoming one entity would eliminate time and money spent on the following:

- Keeping two sets of books
- Calculating split costs (salaries, fees, etc.)
- Preparing for and paying for two annual audits
- Filing two sets of annual tax returns
- Bookkeeping for multiple bank accounts
- Operating two separate boards and all related administration

MAXIMIZED FUNDRAISING BENEFITS

Per member payments and membership dues do not cover all the expenses of LWVIL's mission work and support of local Leagues. Although LWVIL already realizes the benefit of fundraising as a 501(c)(3) through LWVILEF, the benefits are greatly reduced by the costs/redundancies of operating two organizations.

As a SINGLE 501(c)(3), LWVIL will realize the full potential of fundraising benefits such as

- Donations are tax deductible for individuals who itemize
- Donations from donor-advised funds
- Online donor tools (Amazon Smile, Facebook giving, etc)
- Grants that are available only to 501(c)(3) organizations, a common requirement

Transition to a single-entity 501(c)(3) would eliminate redundant operations (a waste of time and money) and thereby maximize fundraising benefits.

THE DIFFERENCE BETWEEN ADVOCACY AND LOBBYING

- Advocacy is **education about legislation**
- Lobbying is any attempt to **influence specific legislation**, including legislation that has been introduced OR proposed.

NO IMPACT ON THE LEAGUE'S ADVOCACY ACTIVITIES

There are NO restrictions on a 501(c)(3) organization's *advocacy* activities. **NONE.**

NO SIGNIFICANT IMPACT ON LOBBYING

Although there are some defined restrictions on *lobbying* activities, those restrictions are not expected to have an impact on the League's activities.

Lobbying cannot be a **substantial** part of a 501(c)(3) organization's activities, which is an IRS definition. Substantial as used by the IRS can be defined based on annual expenditures. Expenses include things like staff time and printed materials such as postcards, handouts, yard signs and buttons. Volunteer time is UNLIMITED. ***The lobbying restriction should not have a significant impact on the League, as most lobbying activities are performed by volunteers.***

There are two kinds of lobbying, **direct and grassroots**. No more than 20% of total expenses can be spent on lobbying, and within that, only 5% can be on grassroots lobbying.

DIRECT LOBBYING

Direct lobbying is any attempt to influence specific legislation by communicating with a member or employee of a legislative body or a government official who may participate in the formulation of the legislation. The communication must do **BOTH** of these things:

- Refer to specific legislation (including legislation already introduced OR proposed)
- Reflect a view on that legislation (support or opposition)
- Note: Direct lobbying can include communication with voters about an item on a ballot (initiative, referendum, etc.), as the voters are considered to be "legislators" in that case.

Examples of Direct Lobbying

- League employees and volunteers contact several members of the legislature or their staff to seek support for the League's position on a pending bill. NOTE: *If it is just a general position and there is no pending legislation, it is not lobbying.*
- LWVIL Lobby Day in Springfield/virtual. Volunteers spend the day urging legislators to support or oppose several pieces of legislation. Staff is involved in organizing.
- The League drafts and prints a position letter, mentioning a pending bill. League members distribute copies of the bill to numerous legislators and their employees.
- The League urges voters to vote for a ballot referendum, such as the Fair Tax Amendment. Handouts, door hangers and yard signs are printed.

GRASSROOTS LOBBYING

Grassroots lobbying is an attempt to influence legislation by affecting the opinions of the general public or any segment thereof (such as League members). The communication must do **ALL** of the following:

- Refer to specific legislation (including legislation already introduced OR proposed)
- Reflect a view on that legislation (support or opposition)
- Encourage the recipient of the communication to take action about the legislation.
 - Suggests contacting anyone who may participate in the formulation of the legislation
 - Provides contact information for a legislative body, legislator or employee
 - Provides a petition for the recipient to use in their communication
 - Identifies legislator(s) who will vote on or otherwise consider the legislation

Examples of Grassroots Lobbying

- A Time for Action email encouraging readers to contact legislators in support of legislation. Legislation is referred to by an informal name (ie: Voting Rights Act).
- Issues Briefing session where a specific piece of legislation and action in support or opposition are called out.

EVERYTHING ELSE IS ADVOCACY

If a communication does not meet the specifications for direct lobbying or grassroots lobbying, then it is simply advocacy, and therefore is NOT subject to the expenditure restrictions.

Examples of Advocacy

- Communicating with a legislator about a particular topic position, without specific legislation (climate change, gun violence prevention)
- Communicating about non-legislative items
 - Opposing addition of citizenship question on the census (policy)
 - Urging reversal of executive order banning immigrants or refugees from certain countries

NEXT STEPS FOR LWVIL TO MAKE THE TRANSITION TO A 501(C)(3)

Local League delegates need to vote YES at convention! Specifically, delegates must vote to add the necessary amendments to the LWVIL Bylaws and Articles of Incorporation.

With a YES vote, the LWVIL Board will work with legal advisors to prepare and submit the necessary IRS filings to obtain 501(c)(3) status. Once LWVIL becomes a 501(c)(3) organization, LWVILEF will be dissolved and its assets transferred to LWVIL.

THERE IS NO CHANGE TO HOW LOCAL LEAGUES INTERACT WITH LWVIL

Local Leagues will continue with business as usual.

THE STATUS OF LOCAL LEAGUES DOES NOT CHANGE

Local Leagues do not automatically inherit the parent entity's tax status. Local Leagues that want to change their status may do so on their own. The LWVIL 501(c)(3) committee provides guidance and assistance for local Leagues exploring a 501(c)(3) transition. There are one-time expenses that need to be considered. Refer to additional materials on the LWVIL website under Member Resources.

Proposed amendments to the LWVIL Bylaws and Articles of Incorporation required by the IRS in order to make the transition to a 501(c)(3) entity can be found on the following pages.

BYLAW AMENDMENTS: these changes are also reflected in the Bylaws Amendments presented at Convention 2021 by the Bylaws committee:

In order to proceed with the conversion to 501(c)(3) status, members must vote to amend the League's bylaws at the LWVIL convention to provide language required by the IRS to obtain 501(c)(3) status. The two bylaw amendments required for 501(c)(3) status are detailed below.

Add the following to **Article II Purpose and Policies** after the clauses defined by LWVUS:

Section 4. Tax Exempt Status. The LWVIL 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 Articles, the LWVIL 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 LWVIL shall be the carrying on of propaganda, or otherwise attempting to influence legislation.

The LWVUS allows this addition to the 2nd article. The language of this bylaw should not be modified. This is expected to be present in the application to the IRS for 501(c)(3) status.

In the **Article XII, Finance Administration** the Bylaws committee will propose to replace the existing Dissolution clause with the following clause:

Section 7. Distribution of Funds on Dissolution. In the event of the merger or dissolution of the LWVIL for any reason, all money and securities or other property of whatsoever nature which at the time be owned or under the absolute control of the LWVIL shall be distributed at the discretion of the LWVIL Board or such other persons as shall be charged by law with the liquidation or winding up of the LWVIL and its affairs, to any member organization of the League of Women Voters national organization which is exempt under Section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code; or if none of the organizations are then in existence or exempt under those tax provisions, then, at the discretion of the LWVIL Board, to another organization which is organized and operated exclusively for charitable and educational purposes and which has established its tax-exempt status under such designated tax provisions.

Rationale: For a 501(c)(3) assets at dissolution should go to another 501(c)(3) entity. We are modifying the existing 2019 Article XII, Section 5 clause of how the funds would be distributed - the existing clause states that we would distribute funds to LWVUS, now we would be distributing to LWVEF.

ARTICLES OF INCORPORATION AMENDMENTS: *these changes are consistent with the bylaws amendments*

LEAGUE OF WOMEN VOTERS OF ILLINOIS

Attachment re Section 3 (b) Text of Amendment, other than name change.

Section 1. Tax Exempt Status. The League of Women Voters of Illinois (“LWVIL”) 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 Articles of Incorporation, the LWVIL 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 LWVIL shall be the carrying on of propaganda, or otherwise attempting to influence legislation.

Section 2. Distribution of Funds on Dissolution. In the event of the merger or dissolution of the LWVIL for any reason, all money and securities or other property of whatsoever nature which at the time be owned or under the absolute control of the LWVIL shall be distributed at the discretion of the LWVIL Board or such other persons as shall be charged by law with the liquidation or winding up of the LWVIL and its affairs, to any member organization of the League of Women Voters national organization which is exempt under Section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code; or if none of the organizations are then in existence or exempt under those tax provisions, then, at the discretion of the LWVIL Board, to another organization which is organized and operated exclusively for charitable and educational purposes and which has established its tax-exempt status under such designated tax provisions.