

Investing in Nonprofit and Political Entities: An Overview

| Type of Organization | Are contributions to the organization deductible to the donor? | Are contributions to the organization subject to gift tax? | Are donors publicly disclosed? | Lobbying activity allowed? | Political activity—general | Communications referencing federal candidates |
|---|--|--|---|--|---|--|
| 501(c)(3) | Yes | No | No | Limited—cannot be “substantial” or organization can elect to spend up to a certain \$ limit on direct lobbying, with sublimit on grassroots lobbying | Partisan activity strictly prohibited. Can engage in nonpartisan voter reg. + GOTV targeted by race, class, income. | No “issue advocacy” communications referencing fed candidates |
| 501(c)(4) | No | Yes | No | Unlimited | Partisan activity permitted but cannot be the “primary purpose” of the organization; & subject to campaign finance laws. Can do voter guides + nonpartisan GOTV, voter reg. | Can do independent issue advocacy communications referencing federal candidates subject only to McCain Feingold limit: no broadcast ads within 60 days of general election, 30 days of primary if using corporate or union treasury funds |
| 527 (not registered as federal political committee) | No | No | Yes—reported to IRS, publicly disclosed | Unlimited but must related somehow to a partisan purpose | Unlimited but cannot count legally as contribution to or expenditure for a specific federal candidate | Can do independent issue advocacy communications referencing federal candidates subject only to McCain Feingold limit: no broadcast ads within 60 days of general election, 30 of primary if using corporate or union treasury funds +entity itself must be unincorporated |

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| Federal PAC | No | No | Yes—in FEC reports | Limited if related to partisan purpose | If independent of candidate, unlimited; coordinated with candidate is in-kind contribution limited to \$5,000/per election | If coordinated with a candidate, counts as in-kind contribution limited to \$5k/election; if independent, unlimited and can expressly advocate election/defeat of a federal candidate |
| State PAC | No | No | Yes—in accordance with state law | Limited if related to partisan purpose | Unlimited for state and local candidates, in accordance with state law | Same as 527, subject to any additional restrictions under state law |