



Schedule C (Form 990): Lobbying for Associations

Presented by Sara Brown



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SUPERVISOR



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Agenda

1. 501(c)6 Organizations & Other 501(c) Organizations
2. Lobbying Expenses & Political Campaign Activities Defined
3. Why Does This Matter?
4. IRC 6033(e)
5. Schedule C (Form 990) Overview & How to Complete



501(c)6 Organizations

- Organizations Exempt Under **501(c)6**:
 1. Business Leagues: an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Examples:
 - A. Trade associations
 - B. Professional associations

501(c)6 Organizations Cont.

- Organizations Exempt Under **501(c)6**:
 2. Chambers of Commerce & Board of Trade: A chamber of commerce usually is composed of the merchants and traders of a city. A board of trade often consists of persons engaged in similar lines of business. Chambers of commerce and boards of trade usually promote the common economic interests of all the commercial enterprises in each trade community. Examples:
 - A. City Chambers
 - B. State Chambers
 - C. National or International Chambers

501(c)6 Organizations Cont.

- Organizations Exempt Under **501(c)6**:
 3. Real Estate Boards: consists of members interested in improving the business conditions in the real estate field. Examples:
 - A. Realtor Associations

501(c)6 Organizations Cont.

- Organizations Exempt Under **501(c)6**:
 4. Professional Football Leagues: organizations are exempt whether or not they administer a pension fund for football players. Examples:
 - A. National Football League (Until 2015)

501(c)4 & 501(c)5 Organizations

- Organizations Exempt Under **501(c)4**:
 1. Social Welfare Organizations
 2. Local Associations for Employees
- Organizations Exempt Under **501(c)5**:
 1. Labor Organizations
 2. Agricultural and Horticultural Organizations

Lobbying Expenses

From here and forward, as we dive into lobbying expenses and the Schedule C (Form 990), we will be focusing on 501(c)6 associations.

These associations are more common and most likely what the majority of listeners today are apart of.

Remember: these are your business leagues (trade associations), chambers of commerce, board of trades, real estate boards, and professional football leagues.

Let's Define Lobbying...

- Code § 4912 states that the term “Lobbying Expenditure” means any amount paid or incurred by the organization in carrying on propaganda, or otherwise attempting to influence legislation.
 - Direct Lobbying refers to attempts to influence a legislative body through communication with a member or employee of a legislative body, or with a government official who participates in formulating legislation.
 - Grass Roots Lobbying refers to attempts to influence legislation by attempting to affect the opinion of the public with respect to the legislation and encouraging the audience to take action with respect to the legislation.

Let's Define Political Campaign Activities...

- Going hand in hand with lobbying is the idea of associations engaging in political campaign activities (PCA).
 - An organization engages in political campaign activity when it directly or indirectly participates in or intervenes in (including the publishing or distributing of statements), any political campaign on behalf of or in opposition to any candidate for public office. Intervention may include the following:
 - Endorsing or rating political candidates on an organizations issues,
 - Making political campaign contributions,
 - Publishing voter guides expressing support for or against particular candidates, and/or
 - Taking other steps designed to favor one candidate over another.

Now What is Allowed for 501(c)6 (Lobbying)...

- Revenue Ruling 61-177, 1961-1 C.B. 117 states that a corporation organized and operated primarily for the purpose of promoting a common business interest is exempt under IRC 501(c)(6) even though its sole activity is introducing legislation germane to such common business interest.
 - Rev. Ruling 61-177 also notes there is no requirement that a business league or chamber must refrain from lobbying activities to qualify for exemption.

What does that mean?

Revenue Ruling 61-177, allows the organizations to further their exempt purpose through lobbying without jeopardizing its exempt status.

Now What is Allowed for 501(c)6 (PCAs)...

- 501(c)6 organizations may engage in Political Campaign Activities (PCAs), but only that it is provided that such intervention does not constitute the organization's primary activity.
 - Organizations will commonly start a PAC if this is the case.

NOTE: if an organization does have political campaign activities expenses, they may be subject to additional filings and reporting requirements. Consult your tax accountant with any questions.

Note on 501(c)4 & (c)5's (Lobbying)...

- The rules set forth in Revenue Ruling 61-177 apply to IRC 501(c)4's and (c)5's as well.

NOTE: there are various exemptions to the rules above on the types of lobbying expenses and the amount of lobbying expenses allowed. Consult your tax accountant with any questions.

Note on 501(c)4 & (c)5's (PCAs)...

- 501(c)4's & (c)5's have the same rules as (c)6's.

NOTE: if an organization does have political campaign activities expenses, they may be subject to additional filings and reporting requirements. Consult your tax accountant with any questions.

Why Does this Matter?

For-Profit “World” versus Non-Profit “World”

- For-Profit World:
 - § 162(e) states lobbying expenses include amounts paid or incurred for the following activities:
 1. Influencing legislation
 2. Participating in or intervening in any political campaign
 3. Attempting to influence general public about elections, legislative matters, or referendums
 4. Communicating directly with covered executive branch officials in attempt to influence
 5. Researching, preparing, planning, or coordinating any of the above
 - § 162(e) states that no deduction is allowed for the above expenses.

Why Does this Matter? Cont.

- When a for-profit company pays dues or contributions to a 501(c)6 organization it is allowed as a business expense except for the portion of dues that is attributable to lobbying or PCA expenses.

So how will they, the company, know the break down?

Why Does this Matter? Cont.

- Prior to 1993, no mechanism existed at the association level to let the companies know the breakdown between allowed expense and disallowed expense.
- Congress enacted the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993).
 - § 13222 of OBRA amended IRC 6033 to provide a system for association to be “incentivized” (i.e. not pay tax) to provide companies the amount of dues that are disallowed.
 - This “incentive” is contained in IRC 6033(e), which **imposes notice and reporting requirements for associations** that have nondeductible lobbying or PCA expenditures (§ 162(e) expenditures).

Why Does this Matter? Cont.

- Generally, 501(c)6 organizations are subject to IRC 6033(e) requirements.
 - There are a few exceptions that (c)6 organizations may qualify them to not be subject to 6033(e) requirements (Rev. Proc. 98-19) which we will go over in future slides.

IRC 6033(e) – Notice Requirements

1. 501(c) organization may provide a notice that contains the reasonable amount of dues paid that are allocable to lobbying and PCAs expenses,
2. If no notice is given, 501(c) org must pay a proxy tax on their lobbying and PCAs expenditures, or
 - A. If notice is given, but the reasonable amount is underestimated, the org is subject to the proxy tax of the excess. Exception: the proxy tax can be waived if the org agrees to carry forward the excess and let company (members) know on following year notice.

NOTE: if org elects to pay the proxy tax, no portion of dues to the companies (members) will be considered nondeductible to them.

IRC 6033(e) – Reporting Requirements

- Form 990:

Form 990 (2022)

Page **3**

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? <i>If “Yes,” complete Schedule A</i>	<input type="checkbox"/>	<input type="checkbox"/>
2 Is the organization required to complete <i>Schedule B, Schedule of Contributors</i> ? See instructions	<input type="checkbox"/>	<input type="checkbox"/>
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? <i>If “Yes,” complete Schedule C, Part I</i>	<input type="checkbox"/>	<input type="checkbox"/>
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? <i>If “Yes,” complete Schedule C, Part II</i>	<input type="checkbox"/>	<input type="checkbox"/>
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Rev. Proc. 98-19? <i>If “Yes,” complete Schedule C, Part III</i>	<input type="checkbox"/>	<input type="checkbox"/>

IRC 6033(e) – Reporting Requirements

- Form 990-EZ:

Form 990-EZ (2022)

Page **3**

Part V **Other Information** (Note the Schedule A and personal benefit contract statement requirements in the instructions for Part V.) Check if the organization used Schedule O to respond to any question in this Part V

	Yes	No
33 Did the organization engage in any significant activity not previously reported to the IRS? If "Yes," provide a detailed description of each activity in Schedule O	<input type="checkbox"/>	<input type="checkbox"/>
34 Were any significant changes made to the organizing or governing documents? If "Yes," attach a conformed copy of the amended documents if they reflect a change to the organization's name. Otherwise, explain the change on Schedule O. See instructions	<input type="checkbox"/>	<input type="checkbox"/>
35a Did the organization have unrelated business gross income of \$1,000 or more during the year from business activities (such as those reported on lines 2, 6a, and 7a, among others)?	<input type="checkbox"/>	<input type="checkbox"/>
b If "Yes" to line 35a, has the organization filed a Form 990-T for the year? If "No," provide an explanation in Schedule O	<input type="checkbox"/>	<input type="checkbox"/>
c Was the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization subject to section 6033(e) notice, reporting, and proxy tax requirements during the year? If "Yes," complete Schedule C, Part III	<input type="checkbox"/>	<input type="checkbox"/>

IRC 6033(e) – Reporting Requirements

- If organization marked YES to either of those question, they are required to fill out Part III of Schedule C.
 - This is where the organization satisfies their reporting requirements for IRC 6033(e).

Schedule C (Form 990)

- Schedule C is a 4-page attachment to the Form 990 (or Form 990-EZ).
- For today's purposes, we are just focusing on Part III of Schedule C.
 - Part III is on the bottom half of page 3 of Schedule C.

Let's take a look...

Schedule C Cont.

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered “No” OR (b) Part III-A, line 3, is answered “Yes.”

1	Dues, assessments and similar amounts from members	1	<input type="text"/>
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	<input type="text"/>
b	Carryover from last year	2b	<input type="text"/>
c	Total	2c	<input type="text"/>
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	<input type="text"/>
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?	4	<input type="text"/>
5	Taxable amount of lobbying and political expenditures. See instructions	5	<input type="text"/>

Schedule C – Part III-A – #1

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input type="checkbox"/>
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3 Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

Line 1. Answer “Yes” if any of the following exemptions from the reporting and notice requirements apply. By doing so, the organization is declaring that substantially all of its membership dues were nondeductible.

1. Local associations of employees' and veterans' organizations described in section 501(c)(4), but not section 501(c)(4) social welfare organizations.
2. Labor unions and other labor organizations described in section 501(c)(5), but not section 501(c)(5) agricultural and horticultural organizations.
3. Section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations that receive more than 90% of their dues from:
 - a. Organizations exempt from tax under section 501(a), other than section 501(c)(4), section 501(c)(5), and section 501(c)(6) organizations,
 - b. State or local governments,
 - c. Entities whose income is excluded from gross income under section 115, or
 - d. Organizations described in 1 or 2, earlier.

4. Section 501(c)(4) and section 501(c)(5) organizations that receive more than 90% of their annual dues from:

- a. Persons,
- b. Families, or
- c. Entities,

who each paid annual dues of \$124 or less in 2022 (adjusted annually for inflation). See Rev. Proc. 2021-45; 2021-48 I.R.B. 764 section 3.46, available at [IRS.gov/pub/irs-irbs/irb21-48.pdf](https://www.irs.gov/pub/irs-irbs/irb21-48.pdf) (or latest annual update).

5. Any organization that receives a private letter ruling from the IRS stating that the organization satisfies the section 6033(e)(3) exception.

6. Any organization that keeps records to substantiate that 90% or more of its members can't deduct their dues (or similar amounts) as business expenses whether or not any part of their dues are used for lobbying purposes.

7. Any organization that isn't a membership organization.

Schedule C – Part III-A – #2

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

Line 2. Answer “Yes” on line 2 if the organization satisfies the following criteria of the \$2,000 in-house lobbying exception.

1. The organization didn’t make any political expenditures or foreign lobbying expenditures during the 2022 tax year.

2. The organization made lobbying expenditures during the 2022 tax year consisting of only in-house direct lobbying expenditures totaling \$2,000 or less, but excluding any allocable overhead expenses.

If the organization's in-house direct lobbying expenditures during the 2022 tax year were \$2,000 or less, but the organization also paid or incurred other lobbying or political expenditures during the 2022 tax year, it should answer “No” to question 2. If the organization is required to complete *Part III-B*, the \$2,000 or less of in-house direct lobbying expenditures shouldn’t be included in the total of Part III-B, line 2a.

Schedule C – Part III-A – #3

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

Line 3. Answer “Yes” on line 3 if the organization on its prior tax year agreed to carry over an amount to be included in the current year's reasonable estimate of lobbying and political expenses.

Schedule C – Part III-A

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input type="checkbox"/>

- If an organization can mark YES on #1 and/or #2 above OR the organization can mark NO on #3 above, no further disclosures necessary. The organizations Schedule C and reporting requirements are complete.

NOTE: if organization can mark YES on #1 and/or #2, they do not need to complete the notice requirement of IRC 6033(e).

Schedule C – Part III-B

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered “No” OR (b) Part III-A, line 3, is answered “Yes.”

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues . .	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?	4	
5	Taxable amount of lobbying and political expenditures. See instructions	5	

The amount to use for #1 is pretty straight forward. Let's jump to #2 where it gets a bit trickier...

Schedule C – Part III-B – #2

2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	

Line 2. Include on line 2a the total amount of expenses paid or incurred during the 2022 tax year in connection with:

1. Influencing **legislation**;
2. Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for any public office;
3. Attempting to influence any segment of the general public with respect to elections, legislative matters, or referendums; and
4. Communicating directly with a covered executive branch official in an attempt to influence the official actions or positions of such official.

- Include the following on line 2b.
1. Lobbying and political expenditures carried over from the preceding tax year.
 2. An amount equal to the taxable lobbying and political expenditures reported on Part III-B, line 5 for the preceding tax year, if the organization received a waiver of the proxy tax imposed on that amount.

Schedule C – Part III-B – #2

- Total amount to Line 2a includes:
 1. Allocation of costs of its direct lobbying activities,
 2. De-minimis in-house lobbying,
 3. Grass roots lobbying, and
 4. Political Campaign Activities.

Numbers 2 through 4 are straight forward amounts; just use the actual amount paid. Number 1 has special rules in the instructions on how to calculate.

Remember: if an organization does have political campaign activities expenses, they may be subject to additional filings and reporting requirements. Consult your tax accountant with any questions.

Schedule C – Part III-B – #2

Special Rules for allocation of cost to lobbying activities and influencing legislation:

- Org must use a reasonable allocation method to determine total costs of its direct lobbying activities (influencing legislation through communication).
 1. The ratio method,
 2. The gross-up and alternative gross-up methods, and
 3. A method applying the principals of section 263A.
- It is up to the organization to assert the amount of direct lobbying expenses they incurred in the year. Let's go over some examples of the methods above.

Schedule C – Part III-B – #2

1. The ratio method:

Example 1. Ratio method. X Organization incurred:

1. 6,000 labor hours for all activities,
2. 3,000 labor hours for lobbying activities (three employees),
3. \$300,000 for operational costs, and
4. No third-party lobbying costs.

X Organization allocated its lobbying costs as follows:

Lobbying labor hrs.	Total costs of operations	Allocable third- party costs	Costs allocable to lobbying activities
$\frac{3,000}{6,000}$	x \$300,000	+ \$ -0-	= \$150,000
Total labor hrs.			

Schedule C – Part III-B – #2

2. The Gross-Up Method and Alternative Gross-Up Method:

Example 2. Gross-up method and alternative gross-up method. A and B are employees of Y Organization.

1. A's activities involve significant judgment about lobbying activities.
2. A's basic lobbying labor costs (excluding employee benefits) are \$50,000.
3. B performs clerical and support activities for A.
4. B's labor costs (excluding employee benefits) in support of A's activities are \$15,000.
5. Allocable third-party costs are \$100,000.

If Y Organization uses the gross-up method to allocate its lobbying costs, it multiplies 175% times its basic labor costs (excluding employee benefits) for all of the lobbying of its personnel and adds its allocable third-party lobbying costs as follows:

Basic lobbying labor costs of A + B	Allocable third-party costs	Costs allocable to lobbying activities
(175% × \$65,000)	+ \$100,000	= \$213,750

If Y Organization uses the alternative gross-up method to allocate its lobbying costs, it multiplies 225% times its basic labor costs (excluding employee benefits) for all of the lobbying hours of its lobbying personnel and adds its third-party lobbying costs as follows:

Basic lobbying labor costs of A (225% × \$50,000)	+	Allocable third-party costs \$100,000	=	Costs allocable to lobbying activities \$212,500
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Schedule C – Part III-B – #2

2. The Gross-Up Method and Alternative Gross-Up Method – another example for the code:

EXAMPLE.

(i) In 1996, three employees, A, B, and C, of Taxpayer X engage in both lobbying activities and nonlobbying activities. A spends 300 hours, B spends 1,700 hours, and C spends 1,000 hours on lobbying activities.

(ii) X has no third-party costs.

(iii) For purposes of the gross-up method, X determines that its basic labor costs are \$20 per hour for A, \$30 per hour for B, and \$25 per hour for C. Thus, its basic lobbying labor costs are $(\$20 \times 300) + (\$30 \times 1,700) + (\$25 \times 1,000)$, or $(\$6,000 + \$51,000 + \$25,000)$, for total basic lobbying labor costs for 1996 of \$82,000.

(iv) Under the gross-up method, X allocates \$143,500 to its lobbying activities for 1996, as follows:

$$\begin{array}{rclcl} 175\% & \times & \text{Basic lobbying labor} & + & \text{Allocable third-} & = & \text{Costs allocable to} \\ & & \text{costs of all personnel} & & \text{party costs} & & \text{lobbying activities} \\ [175\% & & \times \$ 82,000] & & +[0] & & = \$ 143,500. \end{array}$$

Schedule C – Part III-B – #2

3. The Section 263A Cost Allocation Method:

- Much more in-depth calculation and not as commonly used. Code Section 1.162-28 lays out an example.
- Could be more helpful allocation when you have multiple locations with multiple departments that all help service each other and would need to be included in the lobbying calculation.

Schedule C – Part III-B – #2

- You are not limited to one of those three methods; they are just the methods set forth in the code and instructions.
- Any reasonable method is permitted.

Once you have that number, you add any amounts for numbers 2 through 4 talked about above to get your total amount that will go on line 2 of Part III-B.

Schedule C – Part III-B – #3

3 Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues . . .

3

Line 3. Enter the total amount of dues, assessments, and similar amounts received, for which members were timely notified of the nondeductibility under section 162(e) that were allocable to the 2022 tax year.

Example.

- Membership dues: \$100,000 for the 2022 tax year,
- Organization's timely notices to members: 25% of membership dues nondeductible, and
- Line 3 entry: \$25,000.

Schedule C – Part III-B – #4

4 If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?

4	



Line 4. If the amount on line 2c exceeds the amount on line 3 and the organization sent dues notices to its members at the time of assessment or payment of dues, include the amount on line 4 that the organization agrees to carry over to the reasonable estimate of nondeductible lobbying and political expenditures next year and include the amount on the 2022 Schedule C (Form 990), in Part III-B, line 2b (carryover lobbying and political expenses), or its equivalent.

If the organization didn't send notices to its members, enter "-0-" on line 4.

Schedule C – Part III-B – #5

5	Taxable amount of lobbying and political expenditures. See instructions	5	
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Line 5. The taxable amount reportable on line 5 is the amount of dues, assessments, and similar amounts received:

1. Allocable to the 2022 tax year, and
2. Attributable to lobbying and political expenditures that the organization didn't timely notify its members were nondeductible.

Report the tax on Form 990-T.

Schedule C – Part III – Example #1

- Membership Dues = **\$100,000**
- Lobbying Expenses = **\$15,000**
- Notice amount of membership dues reasonable estimated to be attributable to lobbying and PCAs = **18%**

Schedule C – Part III – Example #1

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered “No” OR (b) Part III-A, line 3, is answered “Yes.”

1	Dues, assessments and similar amounts from members	1	100,000
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid) .		
a	Current year	2a	15,000
b	Carryover from last year	2b	0
c	Total	2c	15,000
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	18,000
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?	4	0
5	Taxable amount of lobbying and political expenditures. See instructions	5	0

Schedule C – Part III – Example #2

- Membership Dues = **\$100,000**
- Lobbying Expenses = **\$20,000**
- Notice amount of membership dues reasonable estimated to be attributable to lobbying and PCAs expenses = **18%**

Schedule C – Part III – Example #2

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered “No” OR (b) Part III-A, line 3, is answered “Yes.”

1	Dues, assessments and similar amounts from members	1	100,000
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	20,000
b	Carryover from last year	2b	0
c	Total	2c	20,000
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	18,000
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?	4	2,000
5	Taxable amount of lobbying and political expenditures. See instructions	5	0

Schedule C – Part III – Example #3

- Membership Dues = **\$100,000**
- Lobbying Expenses = **\$20,000**
- Prior Year Carryover reported to members in 2022 (PY Schedule C, Part III-B, Line 4) = **\$2,000**
- Notice amount of membership dues reasonable estimated to be attributable to lobbying and PCAs expenses = **18%**

Schedule C – Part III – Example #3

Part III-A Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3	Did the organization agree to carry over lobbying and political campaign activity expenditures from the prior year?	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Part III-B Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered “No” OR (b) Part III-A, line 3, is answered “Yes.”

1	Dues, assessments and similar amounts from members	1	100,000
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	20,000
b	Carryover from last year	2b	2,000
c	Total	2c	22,000
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues . .	3	18,000
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditures next year?	4	4,000
5	Taxable amount of lobbying and political expenditures. See instructions	5	0

Take Aways

- 6033(e) requirements – notice & reporting
- Calculating lobbying expenses
 - Organization tracking
- Part III-B should be helping organizations every year to make sure they are on par for the amount they are telling members are nondeductible
 - It is not a static percentage
 - Run annual calculation

Questions



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THANK YOU!



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