



This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

EIGHT TIPS FOR COLLABORATING WITH A 501(C)(4) WITHOUT JEOPARDIZING YOUR 501(C)(3) TAX-EXEMPT STATUS

Nonprofit organizations often collaborate with other nonprofits in order to maximize their impact. By pooling resources, nonprofits can save on administrative costs, generate fresh ideas to address intransigent problems and use the power of collective voices to raise public awareness of important issues facing the community. If your 501(c)(3) nonprofit works in partnership with other nonprofits, you may end up working alongside a 501(c)(4) organization. Whether your nonprofit works with a (c)(4) as part of an established coalition or on an *ad hoc* basis, it is important to understand the limits the Internal Revenue Service (IRS) places on these types of shared activities. This article provides some important tips to ensure that your nonprofit doesn't jeopardize its tax-exempt status.

What is a 501(c)(4)?

Section 501(c)(4) of the Internal Revenue Code provides exemption from federal income tax for organizations not organized for profit and operated exclusively to promote "social welfare." A (c)(4) may work on the same types of issues that a (c)(3) might address – homelessness, social equity, the environment, and more. The primary difference pertains to the *types* of activities that a (c)(4) can use to achieve its mission. Unlike a 501(c)(3) organization, a 501(c)(4) can engage in unlimited lobbying, and undertake certain political activities that are prohibited for (c)(3) organizations. The other significant difference is that contributions to 501(c)(4) organizations are not tax deductible.

Tips for working with a 501(c)(4)

Both (c)(3)s and (c)(4)s are allowed to advocate on policies and issues, and often work together to address problems affecting the community. In fact, it is not uncommon for (c)(3)s and (c)(4)s to collaborate around legislative proposals or to increase public awareness of important societal issues. Joint efforts can include participating in meetings, working in formal coalitions, and sharing tangible resources such as office space or employees. But because a 501(c)(4) can engage in activities that your 501(c)(3) is expressly prohibited from undertaking, it is important that your nonprofit understand and follow the rules.

Navigating the (c)(3)-(c)(4) landscape can be complicated. Here are some tips to keep your nonprofit activities within the bounds of IRS regulations:

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TIP #1: Know the rules for the relevant type of activity. In general terms, the most important consideration in working with a (c)(4) is to ensure that your (c)(3) is not engaging in impermissible political activities. That includes an outright prohibition on political campaigning on behalf of (or in opposition to) any candidate for public office. Beyond that, the specifics of what is out of bounds depends on the *type* of activity. The resources listed below provide detailed discussions by subject area that describe what constitutes impermissible political activity.

- [Advocacy](#)
- [Candidate forums](#)
- [Get Out the Vote](#)
- [Legislative scorecards](#)
- [Lobbying](#)
- [Voter registration drives](#)

TIP #2: Identify the purpose of joint meetings. Often, (c)(3) and (c)(4) organizations hold meetings together, whether as part of an established coalition or to share periodic legislative updates. Meetings always run better with a clear agenda. Establishing the purpose of a meeting in advance also helps ensure that it is consistent with your organization's (c)(3) purpose. During those meetings, it is appropriate for the (c)(3) and (c)(4) to give updates. If the (c)(4) shares information about activities that your (c)(3) cannot undertake, simply do not engage in any strategic discussions and refrain from using that information to inform your activities.

TIP #3: Get it in writing. If you plan to engage in ongoing collaborative work or share resources with a (c)(4), get an agreement in writing that has been reviewed by legal counsel. A signed agreement can minimize the risk that your nonprofit's resources will be used for improper purposes.

Tip #4: Closely monitor (c)(3) resources that “flow” toward a (c)(4). It is important for your nonprofit to pay close attention to any resources that may flow *toward* a (c)(4) organization. There is no *per se* rule prohibiting a 501(c)(3) organization from providing resources to a 501(c)(4) organization. Many (c)(4) organizations engage in activities that (c)(3) organizations undertake – working together on and even providing resources for those types of activities is permissible. For example, a (c)(3) can share resources with a (c)(4) to plan a community meeting to raise awareness about the need to build a domestic violence shelter. There is an *absolute* prohibition, however, on (c)(3) organizations providing any resources to a (c)(4) for activities that would be impermissible for a (c)(3) to undertake on its own. Taking the same example, a (c)(3) cannot work with the (c)(4) to support a candidate who supports funding new shelters. While the end goal may be the same – the construction of a new shelter – supporting a candidate is not a permissible (c)(3) activity. If you are sharing any financial resources, such as grant funds, office space or employees, hire an experienced accountant who can make certain that (c)(3) resources are not inadvertently benefiting an impermissible activity.

TIP #5: Consider a disclaimer when sharing resources. While tax-exempt resources may not be used for certain political activities, how a resource is used may be beyond your control. For example, perhaps your organization created a fact sheet on a particular issue or created a map that a (c)(4) might find particularly useful to support a particular candidate. Consider whether a disclaimer might be helpful that states the materials can be used only for activities consistent with (c)(3) rules and regulations.

TIP #6: Train your staff on compliance issues. Sometimes the innocent mistake is what gets an organization in trouble. Make sure that your staff and volunteers understand the basics of how much of your organizational resources can be dedicated to lobbying and the importance of avoiding partisan activities. Anyone who is able to post to your social media accounts should attend the training.

TIP #7: Register to lobby and stick to your limits. While there are many types of activities that your (c)(3) might engage in as described above, the most common pitfall happens when a (c)(3) and a (c)(4) lobby together. A (c)(3) can lose its tax-exempt status if a “substantial part” of its resources is being used for lobbying. (See our article on [lobbying](#) for more information on how to determine if your lobbying activities are “substantial”). A (c)(4) is not subject to those limits, so keep a close watch on the resources your nonprofit devotes to its own lobbying. Also, nonprofits that engage in lobbying, like their (c)(4) and for-profit peers, must register and report their lobbying activities in the State of Georgia. Rules vary depending on the level of state government or type of government entity the nonprofit is seeking to influence. If you’re heading to the Capitol, read more about registration requirements [here](#).

TIP #8: Contact your PBPA Attorney. Collaborating with (c)(4) organizations may help stretch your nonprofit dollars, but the gray areas can be challenging to navigate. Reach out to your PBPA attorney to assist with your particular situation.