



**FACES**  
**Filipino American Civic Employees of Seattle**  
**B A L L O T**

**VOTE BY MARCH 21, 2008**

**Should FACES convert its tax status from 501c-4 to  
501c-3 to allow for donations to be tax deductible?**

\_\_\_\_ YES. Convert FACES to 501c3 tax status.

\_\_\_\_ NO. Retain FACES 501c4 tax status.

Signature\_\_\_\_\_ Print Name\_\_\_\_\_

Date\_\_\_\_\_

How to submit your ballot?

- Bring this ballot with you to the March 18<sup>th</sup> FACES General Membership meeting, or
- Send by email to: [Linda.timmen@seattle.gov](mailto:Linda.timmen@seattle.gov), or
- Mail to: FACES, Attn: Linda Timmens, P.O. Box 21831, Seattle, WA 98111

If you have questions, contact Linda Timmen, Bylaws Chair, at 684-8097.

# Frequently Asked Questions about 501(c) (3) and 501(c) (4) organizations

Prepared by Andrew Ygona and Nolan Lim

## 1. What is a 501(c) (3) non-profit corporation?

A 501 (c) (3) is a non-profit charitable, educational, or corporation. Section 501(c) (3) is a tax law provision granting exemption from the federal income tax to non-profit organizations. This exemption does not cover other federal taxes such as employment taxes. Thus, any non-profit organization who obtains a 501(c) (3) does not have to pay taxes on income earned. Further, third parties can donate money to 501(c) (3) organizations and write off their donation amounts on their own income tax returns.

## 2. What is the current tax status of FACES?

FACES is currently a 501(c) (4) non-profit organization that is exempt from federal taxes. 501(c) (4)'s are generally social welfare organizations, local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality, and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.<sup>[1]</sup> 501(c) (4) organizations differ from 501(c)(3) in that they are permitted to participate in political campaigns, and lobby for more for legislation.

## 3. What are the differences between a 501(c) (3) and a 501(c) (4)?

501(c) (3) and 501(c) (4) organizations differ in two important respects listed below.

a. **Charitable contributions** - First, a 501(c) (3) organization allows a third party organization to deduct any donation given to the 501(c) (3) organization. A 501(c) (4) organization, however, does not allow third party organization to deduct their donation amounts from their income taxes. Thus, a 501(c) (3) gives a third party organization a greater incentive to donate to a 501(c) (3) versus a 501(c) (4).

b. **Political and Legislative Activity** –

i. **Political activity**

Under the Internal Revenue Code, all sections of 501(c)(3) organizations are absolutely prohibited from directly or indirectly participating in, or intervening in, any political campaign on behalf of (or in opposition to) any candidate for elective public office. A contribution to political campaign funds or public statements of position (verbal or written) made on behalf of the organization in favor of or in opposition to any candidate for public office clearly violates the prohibition

against political campaign activity. Violation of this prohibition may result in denial or revocation of tax-exempt status and the imposition of certain excise tax.

Under the IRC, all section 501(c) (4) organizations can participate in political activity that is described above. The income used for political activity, however, can be taxed.

## ii. **Legislative Activity (lobbying)**

In general, no organization may qualify for section 501(c) (3) status if a substantial part of its activities is attempting to influence legislation (commonly known as *lobbying*). A 501(c) (3) organization may engage in some lobbying, but too much lobbying activity risks loss of tax-exempt status.

501 (c) (4) organizations do not have a limit on legislative activity so long as the activity furthers the purpose of the organization.

## **4. Why does FACES want to convert to a 501(c)(3) organization?**

The 501(c) (3) status would allow FACES to attract donors (individual, non-profit foundations and corporations) to donate more dollars to FACES by having their respectable donations be tax deductible.

## **5. What would be the benefit of maintaining a 501(c) (4) status?**

The main benefit of maintaining 501(c) (4) status is that FACES could participate in political campaigns and/or endorse particular political candidates. Based on past practices of FACES, however, we have not recently participated in political activities and therefore have no need to maintain 501(c) (4) status.

Note that FACES will be able to influence legislative decisions through education and expression of concerns. Also, there is an opportunity to work with an organization called FAPAGOW (Filipino American Political Action Group of Washington) that works on electoral politics and conducts lobbying activities.

## **6. What are the costs to changing FACES status?**

The fee is minimal. Currently, the fee is dependent on the FACES anticipated revenues.

Footnote

<sup>^</sup> See [26 U.S.C. § 501\(c\)\(4\)\(A\)](#).

1. <http://www.irs.gov/pub/irs-pdf/p557.pdf>