

Below are the changes to the LWV-La Crosse Area Bylaws, as proposed, which will allow us to become part of the LWVWI Education Network 501(c)(3) organization. For the full version of the amended bylaws, see our website at www.lwvlacrosse.org

**Proposed changes to the Bylaws
League of Women Voters of the La Crosse Area
June 6, 2011**

Article I *[Change name of state organization]*

" the League of Women Voters of Wisconsin Education Network."

Article II *[Revise Section 3 and Add Section 4, relating to a 501(c)(3)]*

Purpose and Policy

Sec. 3. The League of Women Voters of the La Crosse Area shall be operated exclusively for charitable and educational purposes, as defined in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provision of any future United States Internal Revenue law (the "Code").

Sec. 4. No part of the net earnings of the organization shall inure to the benefit of, or be distributable to its members, directors, officers, or other private persons, except that the organization shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes of the organization. No substantial part of the activities of the organization shall be carrying on of propaganda or otherwise attempting to influence legislation, and the organization shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of this document, the organization shall not carry on any other activities not permitted to be carried on by (a) an organization exempt from federal income tax under section 501 (c) (3) of the Code, or by (b) an organization, contributions to which are deductible under section 170 (c) (2) of the Code.

Article III *[Add Section 3 which allows by-mail voting for the membership; Wisconsin non-profits]*

Membership

Sec. 3. Written Ballot. In special circumstances designated at the discretion of the Board of Directors and not pertaining to the election of officers, directors, or amendment of the bylaws or articles of incorporation, the vote of the members may be taken by written ballot as set forth in section 181.0708 of the Wisconsin Statutes. Consistent with the requirements of section 181.0708, Wis. Stats., any action of members may be taken without a meeting if LWV-La Crosse Area delivers a written ballot to every member entitled to vote on the matter. A written ballot shall set forth each proposed action and provide an opportunity to vote for or against such action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

Article IVI *[Add Section 8 which allows electronic and by-mail voting for the Board needed for Wisconsin non-profits]*

Board of Directors

Sec. 8. Written Consent. In accordance with Section 181.0821, Wis. Stats., any action that would be taken at a meeting of the Board, except for filling vacancies on the board, may be taken without a meeting if a consent in writing setting forth the action to be taken, is signed by at least two-thirds (2/3) of all of the Directors, provided all Directors receive notice of the text of the written consent and of its effective date and time. Any such consent signed by two-thirds (2/3) of all of the Directors has the same effect as a two-thirds (2/3) vote taken at a duly convened meeting of the Board at which a quorum is present and may be stated as such in any document filed with the Wisconsin Department of Financial Institutions. For purposes of this section, pursuant to § 181.0821(1r) of the Wisconsin Statutes, "in writing" includes a communication that is transmitted or received by electronic means,

including electronic mail (“email”), and “signed” includes an electronic signature, as defined in §181.0103(10p) of the Wisconsin Statutes, as amended from time to time.

Article V - Article XII [No Changes]

Article XIII [New Article required for 501(c)(3)]

Dissolution

Sec. 1. Dissolution. Upon the dissolution of the organization, the Board of Directors shall, after paying or making provisions for the payment of all of the liabilities of the corporation, dispose of all of the assets by distributing the assets to the League of Women Voters of Wisconsin Education Network, Inc. (“LWVWI Education Network”) or, if the LWVWI Education Network no longer exists or declines to accept the assets, to the League of Women Voters Education Fund, provided that either organization continues to be recognized as an organization that is exempt from federal income tax under section 501(c)(3) of the Code. If neither organization can accept the assets, the distribution shall be made to such organization or organizations that are organized and operated exclusively for exempt purposes under section 501(c)(3) of the Code, or corresponding provisions of any subsequent federal tax laws, or to a State or a political subdivision of a State as defined in section 170(c)(1) of the Code.

Article XIV [New Article required for 501(c)(3)]

Group Exemption

Sec. 1. Group Exemption. The LWV of the LaCrosse Area agrees to be included in the group ruling of the LWVWI Education Network (the “central organization”). We also agree that we must accept and adhere to all of the following as a part of being a subordinate/chapter:

- a. We agree to accept the purpose of and abide by the policies and principles of LWVWI Education Network, including Bylaws, Policies, and Handbook.
- b. We agree to report our activities to LWVWI Education Network as requested and to provide the requested reports on our activities and financials.
- c. We agree that we are under the general control and supervision of our central organization, as that term is applied for purposes of a group ruling under section 501(c)(3) of the Code.
- d. We understand that if we ever leave the group ruling or it ceases to exist, we will need to reapply for individual exemption and pay the user fee should we wish to be exempt.

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A little bit of history

- Recognizing that all LWV work is 501(c)(3) eligible, the state board in 2006 moved virtually all state League expenses from the 501(c)(4) to the 501(c)(3) organization (LWVWI Ed Fund).
- Local Leagues wanted to continue to have the same authority as before over state program, positions, leadership, etc.
- But IRS will not allow 501(c)(4) organizations to “control” a 501(c)(3), which has a more favorable tax status.
- 2007 statewide committee was formed
 - League members & pro bono attorney
 - Studied the issue
 - Proposed to seek a group exemption – makes all Leagues in our state a 501(c)(3)
 - Proposal adopted at 2007 State Convention

- All Leagues signed a letter to IRS agreeing to amend bylaws and comply with 501(c)(3) restrictions if the Group Exemption is granted
- The process since 2007
 - State League has been working with IRS and Attorney Melissa Auchard Scholz; LWVUS has helped
 - We finally have a letter from IRS outlining exactly what we need to do
 - Providing local Leagues with templates, forms, language and training in order to comply
- What local Leagues must do now
 - Revise bylaws (at annual meeting)
 - Take the “501(h) election” (sign a form)
 - Sign a letter of intent (LWVWI will provide)
 - Continue to comply
 - Not yet tax exempt - wait for IRS final decision.....

Questions from Local Leagues about 501(c)(3) Group Exemption Application

1. There were many questions about whether dues are tax-deductible.
 - Dues are tax-deductible up to \$75. Whether for individual, household, etc., the first \$75 is tax-deductible. If your dues are less than \$75 (true for most Leagues) then the entire amount is tax-deductible. It does not matter whether the dues cover payments to national/state.
 - Any voluntary contribution above the basic amount of dues also would be a tax-deductible contribution. [For La Crosse, both our \$60 dues and anything above \$60 we donate will be tax deductible.]

2. One League mentioned that they once sued their county board over an issue, and this cost money. Does this count as a lobbying expense? What constitutes a lobbying expense?
 - In general, if an organization has taken the 501(h) election, direct lobbying is defined as a communication (1) with a member or employee of a legislative body, or (2) with a government official or employee who may participate in the formulation of legislation. However, (2) applies only if the principal purpose of the communication is to influence legislation. So, while generally litigation is not a lobbying expense, there are some instances where this (if it is meant to influence the outcome of “legislation”) could be a lobbying expense.
 - This is only an issue if there are financial expenditures; pro bono legal work would not be counted. Also note that the state League is maintaining its 501(c)(4) organization in an inactive state so that it will be there for more costly lobbying efforts. Local Leagues could run such activities through the state 501(c)(4), although money would have to be raised specifically for the effort and would not be a tax-deductible contribution for the donors.

3. Is a “call to action” sent to LWV members lobbying? Is it grassroots lobbying if it is sent to members only? What if it is in a league newsletter which is posted on the website?
 - If a call to action is sent (email or snail mail) only to members, it constitutes “direct lobbying.” If a newsletter/call to action is on the Home Page of the website, then it is “grassroots lobbying” (which is more restricted). If it is posted on a members-only part of the website, then it is a member communication (direct lobbying). Remember, we are only tracking lobbying expenditures which will be minimal if anything.
 - A communication is made “primarily to members” if the communication is received by a list that is more than 50 percent members. If the local League can assess that mostly members view its website and read the newsletter, then it can treat the newsletter (on the web) as a member communication (MC). As an MC, it is not a lobbying expenditure if it does not directly encourage members to engage in either direct or grassroots lobbying. It is a direct lobbying expense if it encourages members to contact their own legislators. It is a grassroots lobbying expense if it encourages members to urge their friends to contact their legislators. It was helpful to re-read Alliance for Justice’s publication

4. Do local Leagues have to count a percent of the per-member dues they pay to LWVWI Ed Fund as lobbying (similar to the way they will count a % of per-member payment to LWVUS)?
 - No, Leagues do not have to count a percentage of their PMA dues paid to the state League as a lobbying expense. This is because (1) the state League will be a 501(c)(3) and (2) the dues are general revenue (not restricted) for the state League.
 - If a payment from a local League to the state League is specifically earmarked for lobbying, it would be a lobbying expense for the local. (This has not happened in recent memory.)
5. When should Leagues start complying? We do not know when, or even if, the group exemption will be granted. Therefore, the following answer is designed to prepare Leagues for the best outcome but not overreach:
 - Leagues should begin tracking lobbying expenses and issuing thank-you letters for contributions (if not already doing so) with the beginning of their next fiscal year. That way, if the group exemption is granted in the next year, Leagues will be able to make the exemption retroactive without having to do much backtracking.
 - Leagues should **not** tell people that contributions will be tax-deductible, nor should they include the "501c3 language" on contribution receipts until after the group exemption is granted. If the exemption is granted, you may send all donors a letter that lets them know and include the required language. (In order to do this, you would have to have a log of contributions with name, date received, amount.)
6. As 501(c)(3)'s Leagues must acknowledge donors. Would an email (or at least an attachment) suffice for the thank-you letter/receipt?
 - Attorney Scholz said that an email would suffice, if it has all of the information that is required by the IRS (full name, date received, amount, required IRS language). Note that an email address is not adequate – the donor's full name is required.
 - Andrea's note: Sending an emailed thank-you/receipt does save postage, but not necessarily paper. The donor will likely want to print the receipt for her/his tax records.
 - Keep in mind that sometimes emails get caught in a spam filter or otherwise lost in cyberspace. Nonprofit best practice still recommends a snail-mailed thank you letter. The receipt can be included on the same sheet as the letter.
7. Should the revised bylaws be signed? That is mentioned in the cover memo to Leagues, but it is not the usual practice among most Leagues.
 - Yes, the IRS requires the bylaws to be signed. [after organization approves, current board can sign them]
8. Do we need 100% participation of local Leagues to go forward? If some Leagues don't want to do this, can we go forward without them in the group exemption? If a League does not want to comply with group exemption, may they participate in state organization's program planning, etc?
 - We do not need 100% participation, but a League that wants to remain a 501(c)(4) cannot be included in the group exemption. It could be allowed to participate on programmatic issues, but it could not have a role in governance of the state League (election of state board, approval of state League budget, selection of state program).