

Fiscal Sponsors and Advocacy: Understanding Lobbying Rules

Fiscal sponsors that are designated as 501(c)(3) public charities can engage in a wide variety of impactful advocacy activities, including lobbying within the generous limits allowed by the Internal Revenue Code. However, when lobbying, or when supporting projects that engage in lobbying activities, these fiscal sponsors must navigate lobbying regulations while ensuring compliance with tax code lobbying limits. Understanding these rules can help maximize advocacy impact without jeopardizing your tax-exempt status.

Here are some key lobbying considerations, along with links to helpful resources, for 501(c)(3) fiscal sponsors and their projects who are engaging in advocacy work:

- **Lobbying vs. Advocacy.** According to the IRS (and Internal Revenue Code), lobbying refers to attempts to influence legislation, while advocacy encompasses a broader range of activities such as education, research, and public awareness campaigns. While [lobbying is permissible](#) for 501(c)(3) public charities, it is subject to limitations and reporting requirements.
- **Maximize Your Lobbying Limit.** The Internal Revenue Code limits the amount of lobbying activity a 501(c)(3) public charity can engage in without jeopardizing its tax-exempt status. Public charities can engage in lobbying but must adhere to either the [501\(h\) expenditure test](#) or the [insubstantial part test](#) to determine allowable lobbying activities. The 501(h) expenditure test generally provides more generous lobbying limits than the insubstantial part test and has a clear dollar limit on the amount of money an electing public charity can spend on lobbying. The limits vary depending on the amount of an organization's annual exempt-purpose expenditures.
- **Ballot Measure Advocacy.** Working on, or contributing to, a [ballot measure campaign](#) is considered to be direct lobbying activity under the Internal Revenue Code lobbying definitions. 501(c)(3) public charities are able to engage in a wide range of advocacy regarding ballot measures, so long as they do not exceed their lobbying limit and do not intervene in a candidate campaign by engaging in partisan advocacy.
- **Tracking and Reporting.** Charities need to keep [records](#) that are sufficient to report their activities to the IRS on their annual Form 990. Fiscal sponsors should also be aware of when lobbying by their fiscally sponsored projects will count towards their own lobbying limits. For example, under comprehensive ("Model A") fiscal sponsorship, lobbying activities carried out by sponsored projects are considered part of the fiscal sponsor's own lobbying and will count towards the sponsor's lobbying limits. Implementing strategic tracking methods not only helps fiscal sponsors to ensure compliance but also maximizes lobbying limits, opens doors to funding opportunities, fuels informed strategic planning, and improves overall organizational management.

- **Lobbying Disclosure Rules.** [Federal](#), [state](#), and local lobbying disclosure rules may apply to your lobbying if certain thresholds are met. Likewise, ballot measure advocacy may trigger local or state campaign finance reporting. Unlike the Internal Revenue Code rules that apply to public charities, these disclosure laws do not limit your organization's lobbying, but rather impose lobbyist registration and reporting requirements in certain circumstances.

Fiscal sponsors and their projects can further their missions by engaging in advocacy and lobbying activities - however, they must do so within the bounds of federal and state laws. Understanding these rules, and implementing processes to follow them, will help fiscal sponsors effectively support advocacy while ensuring their own legal compliance.

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