Keeping Track in the Golden State

A Recordkeeping Companion Guide for 501(c)(3) Public Charities Lobbying in California

Maintaining accurate records and reporting compliance are essential components of effective advocacy. 501(c)(3) public charities can lobby, and proper recordkeeping can help organizations meet their advocacy goals. Tracking lobbying activities is necessary not only to fulfill IRS and state reporting obligations, but also to make the most of allowable lobbying limits, support funding efforts, guide strategic planning, and strengthen overall organizational management.

While federal tax law under the Internal Revenue Code (IRC) regulates how much lobbying a 501(c)(3) public charity can do, California state law, under the Political Reform Act of 1974 (PRA), regulates the disclosure and reporting of lobbying activities at the state level. Because the IRS and the California Fair Political Practices Commission (FPPC) use different definitions, thresholds, and reporting categories, California public charities should operate a multi-track system of recordkeeping. This companion guide to *Keeping Track: A Guide to Recordkeeping for Advocacy Charities* explains the key differences between the Internal Revenue Code and California state law frameworks and provides tips on how to design a compliant time-tracking and expense allocation system.

I. The Multi-Layer Lobbying Compliance Framework

Governing Law	Federal Tax Law (IRS)	California State Law (PRA/FPPC)
Governing Agency	Internal Revenue Service (IRS)	Fair Political Practices Commission (FPPC)
Lobbying Limits	Legal limits based on a public charity's exempt purpose expenditures (under the 501(h) expenditure test) or activities (under the default insubstantial part test)[1]	No limit on the amount of lobbying an organization can conduct
What Triggers Reporting	Any lobbying expenditure or activities, regardless of size, must be reported annually on Schedule C if you file Form 990 or 990-EZ	Crossing specific time thresholds for staff or dollar thresholds for expenses or contracting with a lobbying firm
Activities Covered	Legislative advocacy including when an executive branch official participates in the formulation of legislation or signs / vetoes a bill	Legislative lobbying, executive branch and agency rulemaking, rate-setting, and quasi-legislative action
Administrative Agencies	Excluded	Included
Local Lobbying	Included (communications with county or city legislative bodies that express a view on specific legislation are treated as lobbying)	Excluded from state-level reporting (may be subject to separate local municipal lobbying disclosure ordinances)
Ballot Measures	Treated as Direct Lobbying (subject to federal lobbying limits)	Treated as Campaign Finance Activity (subject to public campaign disclosure laws)

1: See Public Charities Can Lobby: Guidelines for 501(c)(3) Public Charities.

II. California State Lobbying Registration & Reporting Triggers

Under California's state lobbying disclosure laws, an organization does not need to register with the state just because it lobbies. Disclosure is only required when the organization crosses one of two thresholds:

1. Triggering Lobbyist Employer Registration & Reporting Requirements

A 501(c)(3) becomes a Lobbyist Employer if it meets either of the following criteria:

- **Employing an In-House Staff Lobbyist:** An employee who spends at least 1/3 (33.3%) of their compensated work hours in any single calendar month on direct communications with state-level officials (such as state legislators, their staff, the Governor, or state agency officials) designed to influence legislative or administrative action.
  - The organization must register with the Secretary of State by filing Form 603 within 10 days of qualifying.
  - Note: Only time spent in direct communication with a qualifying official counts toward the 1/3 registration threshold. This generally includes time spent preparing for the lobbying communication itself, such as drafting a letter or conducting research for the primary purpose of making the communication. On the other hand, administrative testimony, providing purely technical data to an administrative agency, and travel to or from a meeting generally do not count as direct communication.
- **Hiring an Outside Professional Lobbyist:** An organization hires an independent contractor who is required to register as a lobbyist (paid $2,000+ in a calendar month) or contracts with a registered lobbying firm.
  - The organization does not register, but it must sign a Form 602 before the lobbying begins (the firm files it with its own registration).
- All Lobbyist Employers, registered or not, must file quarterly reports (Form 635) disclosing their state-level direct and grassroots[2] lobbying, including preparation and travel expenses. Reports must be filed even in quarters when there is no lobbying activity.

2: Although referred to here as such, the FPPC does not designate a separate category for grassroots lobbying.

2. Triggering the "$5,000 Filer" Reporting Requirement

If an organization does not employ a lobbyist or lobbying firm, they must file quarterly reports as a $5,000 Filer if they spend $5,000 or more in any single calendar quarter on state-level direct and grassroots lobbying, including preparation and travel expenses and payment to a lobbying coalition.

- **Prorated Staff Time:** When calculating the $5,000 threshold, organizations must include the prorated gross salary of any employee who spends 10% or more of their paid time in a calendar month on state-level lobbying activities. That includes research, preparing materials, travel, and urging others to contact state officials, not just meetings with officials. Routine benefits such as health and retirement contributions and payroll taxes are not included. Employees who only provide clerical, secretarial, manual, or statistical services are also excluded.

III. California Ballot Measures

Federal tax law and California state campaign finance law treat advocacy on ballot measures (such as propositions and bond measures) in different ways. This requires multi-layer tracking for staff time and expenditures.

- **IRS Compliance:** Work to qualify, support, or oppose a ballot measure is classified as Direct Lobbying. For charities that have taken the 501(h) election, every dollar spent (including staff salaries, benefits, and direct costs) is counted towards an organization's lobbying limit. For those 501(c)(3) public charities operating under the default insubstantial part test, all activities to qualify, support, or oppose a ballot measure would count towards its lobbying limit.

- **California State Compliance:** Ballot measure advocacy is treated as campaign finance activity. Spending or raising funds to influence a ballot measure can trigger registration and/or reporting as a Ballot Measure Committee. Tracking staff time and other expenditures will be essential to determining whether those thresholds have been met. For example, an organization that receives $2,000+ in funds earmarked for ballot measure advocacy will generally need to register and report as a Recipient Committee, an organization that contributes $10,000+ in a calendar year to a ballot measure will generally report as a Major Donor Committee, and an organization that makes $1,000+ independently advocating for or against a ballot measure in a calendar year will generally need to file reports as an Independent Expenditure Committee.

California Ballot Measure Disclosure Exclusions

For purposes of recordkeeping, not all activities are subject to the state ballot measure disclosure rules[3]. These exclusions include:

1. **10% or less of Staff Time:** An employee can spend 10% or less of their compensated time in a calendar month working on a ballot measure campaign "on the clock" without the organization needing to report that staff time as a campaign contribution or expenditure.
   - **Warning:** Federal tax law has no equivalent exception. Even if staff time is under 10% and exempt from state disclosure, all of that staff time must still be tracked and counted as direct lobbying for IRS Form 990 purposes.
2. **Member Communications:** Written, digital, or oral communications regarding a ballot measure that are sent solely to an organization's members, employees, and their families are not treated as campaign contributions or expenditures under California law. This includes statements made in a regularly published newsletter.

IV. Tips for Tracking Time & Expenses

Neither federal nor state law mandates any particular recordkeeping system. The IRS just requires that an organization use a reasonable and consistent method for tracking their lobbying. California does require lobbyist employers and $5,000 filers to keep specific records, including, name of the payee, dates and amounts of payments, activity expenses, and other payments to influence legislative or administrative action. Therefore, organizations should select a method that works best for their activities, resources, and reporting requirements.

AFJ's *Keeping Track: A Guide to Recordkeeping for Advocacy Charities* provides several options and examples for tracking staff time, as well as direct and indirect costs. Regardless of the tracking method your organization uses, there are best practices which can be adopted to help ensure that you meet compliance requirements.

- Timesheets: Timesheets should allow staff to separate hours into distinct lobbying categories that apply to the organization, such as IRS Direct, IRS Grassroots, CA State Direct Communication, CA State Legislative Lobbying, CA State Administrative Lobbying, Local/Municipal Lobbying, and/or Ballot Measure Advocacy.

3: See Ballot Measure Activities Exempt from California Disclosure Laws

- Note Purpose of the Expenditure for CA state lobbying: Because both Lobbyist Employers and $5,000 Filers need to report the subject of the lobbying expenditure, organizations should also track the bill number or subject of the lobbying activity.

- Funding: Keep clear, written records of any grant or donation terms. Ensure that grants which restrict lobbying are strictly kept in non-lobbying project accounts.

- Five-Year Document Retention: Retain all timesheets, general ledgers, invoices, bank statements, and copies of printed/digital lobbying communications for at least five years. California law requires five years from the date of the final report for the calendar year.

- Be Audit-Ready: California law requires the state to conduct mandatory, random audits of certain lobbying filers and ballot measure committees. For example, registered lobbying firms and lobbyist employers have a 25% chance of being selected for an audit in a public drawing.[4] Therefore, organizations should be prepared to have their records audited!

- Train staff regularly: Because the lobbying definitions are different at each level of government, be sure that your staff or compliance person understands the distinction. Bolder Advocacy is a resource. In addition to our written resources, we offer free technical assistance. To access this service, please fill out **this form**, email us at **advocacy@afj.org**, or leave us a message at **866-NP-LOBBY (866-675-6229)**.

4: See CA Govt Code § 90001 (2025)

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