

## What Can—and Can't—Philanthropy do in Terms of Advocacy, Policy, and Politics?

- Private foundations can't lobby or directly fund lobbying.
- There are lots of ways funders of all types can influence U.S. politics and policies.
- Election-related political giving is not tax-deductible, nor anonymous.

From funding research into diseases that afflict millions to shaping the state of K-12 education, philanthropists today have enormous impact on issues that affect people's daily lives. There are many vehicles through which donors can move money to advance their respective visions for society and the world. But there are some limits on what U.S. philanthropists can do when it comes to political advocacy and influencing public policy through nonprofits.

The limits mostly relate to direct engagement with elected officials and specific pieces of legislation. If a funder wants to do that, they have to do it transparently, with their name visible as supporting or opposing a candidate. There are limits to how much money they can move for this purpose, and they're not going to get a tax deduction for it. But short of giving to political campaigns or directly lobbying elected officials, funders have a lot of options to influence society while also receiving tax deductions. And they can choose to do a lot of it anonymously.

### **To break it down . . .**

Advocacy, broadly defined, is any activity that advances an organization's mission. Political advocacy is about trying to influence elected officials' decisions and public policies. Where philanthropy is limited is in how directly or explicitly it can try to influence politicians or legislation.

Lobbying is one form of advocacy. There's direct lobbying, which is directly communicating with an elected official around a piece of legislation. And then there's grassroots lobbying, which is more about engaging with a community about what's at stake with a piece of legislation and encouraging them to take action for or against it.



Nonprofits and community foundations can engage in some grassroots lobbying as long as it's not a substantial part of their budget or work. (The IRS guidelines on what's substantial are pretty murky, but that's another story.)

Private foundations, however, are not allowed to lobby, and can be hit with a significant tax if they do.

But there's a lot more to political advocacy than lobbying. What private foundations can do is fund things like nonpartisan voter education or research on issues related to their missions. Foundations can have a big impact in shaping public perceptions on issues that politicians and legislation address, especially if they collaborate with other like-minded funders on a coordinated strategy. It's hard for a single funder to move national policy, but a network of funders working in a coordinated way can have a significant impact. We've seen this with the coordinated efforts of conservative funders over the past half century to fund think tanks, research, communications campaigns, and more that promote free-market ideology and disparage big government, which has played no small part in big cuts to public spending on social programs, the arts and other programs in recent decades.

Foundations can also make grants to nonprofits that do some lobbying, as long as the funding is not earmarked for lobbying. A general operating grant to an organization that engages in some grassroots lobbying could partially be spent on that activity, if the grantee chooses.

The really clear line the IRS draws between "political contributions" and "charitable contributions" is here: No 501(c)(3)—neither public charities nor private foundations—can engage in partisan election-related activities like donating to a candidate or campaign.

But a philanthropist doesn't have to give to or through a 501(c)(3). Donors can choose to give to 501(c)(4)s and/or through structures other than foundations, like Priscilla Chan and Mark Zuckerberg's LLCs. Or they can donate as individuals or corporations directly to a campaign or a PAC (a political action committee—an entity that exists specifically for political fundraising). But these political contributions—contributions



to political parties, campaigns or candidates—are not tax-deductible. They are also limited in terms of amount, and once it's over \$50, can't be given anonymously.

So if a funder wants their political advocacy to be considered charitable—if they want a tax deduction for it—and they want the option of anonymity, campaign contributions and direct lobbying are out. But there are many other ways philanthropists can influence politics and policies.

#### **You may also want to check out:**

- What's the difference between a 501(c)3 and 501(c)4?
- What is an LLC?
- What is a private foundation?

