

*Washington Non-Profit
Top Conference
JW Marriott
Salon III & IV
March 5, 1987*

Belas
3/4/87
1:00p.m.

TALKING POINTS ON TAX EXEMPT ORGANIZATIONS

- o While tax reform is finally over, there still seems to be at least some activity of interest to tax-exempt organizations.
- o The IRS has come out with controversial proposed regulations on what lobbying activities tax exempts can take part in without losing their tax exemption.
- o Congressman Pickle has set a hearing in the Ways and Means Oversight Subcommittee to review overall, basic definitions of lobbying and political activities of tax-exempt organizations. The hearing is scheduled for March 12th.
- o I understand that Mr. Pickle is also interested in pursuing the issue of the tax status of certain organizations that reportedly were involved in a media campaign supporting the Contra opposition to the Sandinista regime.

Proposed Regulations

- o Of these issues, I am sure the most important to you is the IRS proposed regulations issue.
- o As you know, Congress has limited the lobbying activities of charitable, educational, and religious organizations tax exempt under section 501(c)(3). Their lobbying activities must be limited to an "insubstantial" portion of their total activities, or, alternatively, these organizations can use a specific expenditure test under section 501(h) of the tax code.
- o The biggest problem from the viewpoint of the IRS is that the insubstantial activity test is vague and the penalty for violating it, loss of the tax exemption, is so draconian, that they find it difficult to administer.
- o On the other hand, there seem to be much criticism of the regulations' definition of what constitutes grass roots lobbying and the "distribution of nonpartisan analysis, study or research."
- o I know that Senators Packwood, Moynihan, and a majority of the members of the Finance Committee have written IRS Commissioner Gibbs to ask that the IRS withdraw the regulations.

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- o However, the reason the IRS published the regulations in proposed form was to invite comments. The insubstantial activity test is vague, and organizations need the guidance provided in regulations.
- o If the IRS does not respond adequately to justified criticism, then it might be appropriate for a legislative response. However, it seems to me that just asking IRS to withdraw its proposed regulations, rather than providing constructive criticism, really does not advance anything very much.

LAW OFFICES
WEBSTER, CHAMBERLAIN, BEAN & McKEVITT
1747 PENNSYLVANIA AVENUE, N. W.
WASHINGTON, D. C. 20006
(202) 785-9500

GEORGE D. WEBSTER
CHARLES E. CHAMBERLAIN
J. COLEMAN BEAN
JAMES D. McKEVITT
ARTHUR L. HEROLD
ALAN P. DYE
BURKETT VAN KIRK
C. MICHAEL DEESE
FRANK M. NORTHAM
GERARD P. PANARO
JOHN W. HAZARD, JR.
CHARLES M. WATKINS
ROBERT M. SKELTON
HUGH K. WEBSTER

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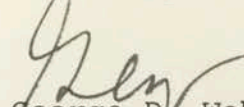
Honorable Robert Dole
United States Senator
U. S. Capitol
Washington, D. C.

Dear Bob:

As usual, you were outstanding and we
appreciate your coming to the Washington Non-Profit
Tax Conference.

Best personal regards.

Sincerely,


George D. Webster

GDW: jh