



## **Nonprofit Notes**

### **Lobbying Expenses Certification Dropped**

Under pressure from nonprofit groups, the Office of Personnel Management (OPM) has proposed removal of a certification requirement that has discouraged some nonprofits from conducting legally permissible issue advocacy.

Earlier this summer, the OPM issued a proposed rule that would significantly change the eligibility requirements for charities participating in the Combined Federal Campaign (CFC), an annual fundraising drive that allows federal employees to donate directly to participating organizations of their choice. Some 22,000 organizations participated in the CFC in 2005.

Currently, organizations applying to participate in the CFC are required to certify that "the organization has no lobbying expenses or, alternatively, that those expenses would classify the organization as a tax-exempt organization under U.S.C. 501(h)."

Some nonprofit groups applying to receive donations through the CFC have read the certification requirement as prohibiting nonprofits from engaging in lobbying, even though the lobbying is permissible if consistent with Internal Revenue Code requirements.

The proposed rule would remove the certification requirement completely.

### **Grassley Continues To Push Charity Reform Provisions**

In an apparent effort to move his stalled nonprofit reform legislation through the Senate, Senate Finance Committee Chairman Chuck Grassley (R-IA) persuaded the committee to pass his legislation by attaching it to a telephone excise tax bill. The Senate Finance Committee voted unanimously to:

- Increase penalties for taxpayers who deliberately overvalue donated items and tighten the definition of who is qualified to appraise the value of donated items.
- Require nonprofit groups that receive less than \$25,000 annually in income to provide the IRS with basic information about their organizations every three years.
- Require nonprofit groups to file their informational tax returns electronically.
- Levy higher penalties on top officials at private foundations or charities who engage in illegal financial transactions with the organization.
- Allow the IRS to share with state regulatory officials more information about actions taken against nonprofit organizations.