

# Opinion

## *Not-for-Profit ! What It Means to LWV !*

**T**he IRS has many options when filing your income tax. Two of them that LWV would consider are;

1. A 501(c)3 Non-profit Corporation, or,
2. A 501(c)4 Non-profit Corporation

The 501(c)3 requires that the organization must be organized and operated exclusively for exempt purposes. These are normally characterized as charitable organizations.

The 501(c)4 is a social welfare organization and must be operated exclusively to promote social welfare.

PCM has defined LWV as a 501(c)4. We are therefore an organization that operates primarily to further the common good and general welfare of the people of the community (such as bringing about the civic betterment and social improvements).

One of the acceptable activities of a 501(c)4 is the seeking of legislation that is germane to the organization's programs. PCM is increasing it's headcount (thusly our assessments) for considerable lobbying interests that are not always in our best interest. Many Managing Agents have different objectives than do the owners in a Home Owner Association and yet we (the owners through the Boards) are paying money for lobby activity that is in the best interest of the Managing Agents.

One of the precautions directed at a 501(c)4 is, there is no "excess benefit transaction" between a *Disqualified Person* and the organization. A disqualified person is one who benefits from an excess benefit transaction. This potentially includes an Organization Manager who may also be liable for an excise tax on the excess benefit transactions that might occur.

Not being an expert on taxes, Residents Voice can make no opinion on what are some of the possible "Benefit Transactions" that might be chargeable by the IRS. "An excess benefit transaction is a transaction in which an economic benefit is provided by an applicable tax-exempt organization directly or indirectly, to or for the use of a disqualified person, and the value of the economic benefit provided by the organization exceeds the value of the consideration received by the organization."

It would be interesting to get an opinion on where the "Incentive Plan Bonuses" would fall in the eyes of the IRS.

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