

Nonprofit Compliance Basics Guide for 501c3 and 501c4 Development Writing

ABOUT THIS RESOURCE

The information in this guide will help you write fundraising materials for two different types of nonprofit organizations: **c3s** and **c4s**. These terms are short-hand for **501(c)(3)** and **501(c)(4)**, which are very boring sections of the Internal Revenue Code (IRC) that describe what activities organizations with each status are permitted to do—and which ones they must refrain from to avoid imperiling their tax-exempt status.

As a development professional, it is critical that you can nimbly shift your language depending on the tax-exempt status of the organization you are representing. When writing a grant proposal for a c3, for instance, you might avoid catchall words like "blue" or "progressive" when describing your organization's work, as these broad terms could be perceived as partisan. These same terms might be useful when writing a c4 proposal.

This kind of writing requires a high level of attention to detail and nuance, and an understanding of your organization's risk tolerance. **While it is likely not your primary role to ensure nonprofit compliance, we are all compliance stakeholders and it is your responsibility to write in a way that reflects an understanding of and commitment to compliance with the IRC.**

Yet, there are precious few learning resources available to those of us tasked with producing externally-facing writing for tax-exempt organizations. There are thorough resources available for learning about compliance generally from fantastic organizations such as Bolder Advocacy, but almost never are compliance resources tailored for development or communications professionals. We created this guide because we needed it – and it was nowhere to be found.

This is a capacity building offering, and as such offers guidance and a framework for nonprofit fundraising compliance. Please note that ***nothing in this document should be construed as legal advice***. Because the tax code can be interpreted variably, each organization must decide for itself how much risk it can sustain and what compliance approach is appropriate. When possible, ask compliance counsel to review written material before sharing externally.

While IRC compliance is important, it is not the only box to check. This resource does not address federal or state election law, or any other regulatory requirements that could be triggered through the implementation of various programs. Secretaries of State, Attorneys General, and other state charity regulators may have state-level requirements (for example, fundraising registration requirements for external consultants) that apply to your organization.

Why is Compliance Education Important?

Careful compliance practices help protect our movements and organizations. Organized attacks on justice-oriented, pro-democracy movements often aim to destabilize, defund, or revoke their tax-exempt status. Political operatives and government agencies may infiltrate high-profile, high-impact organizations to compromise their status or identify or create other areas of liability to exploit. Organizations can also be vulnerable to compliance-related attacks even without infiltration.

Compliance frameworks vary from organization to organization. IRS rules are vague and often poorly understood. Even well-seasoned nonprofit professionals are often unsure about the rules, and how to best follow them in their day-to-day work. Different organizations take different approaches to compliance based on the particular nature of their work, their acceptable level of risk, what their attorneys advise, and the state of the external compliance environment.

Funders and donors (should) care about compliance. Demonstrating compliance expertise and competence while crafting cohesive narratives about our work helps instill confidence and continued support from funders.

Donors and funders have varying levels of understanding of IRS regulations. It often falls to development professionals to help supporters understand the different types of funding and how they matter to outcomes. Some funders and donors are well versed in compliance. With these supporters, consistently demonstrating strong compliance fluency and practices is crucial for maintaining trust.

Finally, providing thoughtful and compliant materials to c3 funders helps protect *them* from undue risk, were their materials to be reviewed as part of an organized attack. As a development professional, you should have a deep enough understanding of the IRC to ask the right questions to glean a given funder's risk tolerance and compliance practices and produce materials that meet both your organization's and the funder's preferences.

Compliance fluency helps maximize impact. US charitable structures allow our movements to form powerful institutions and raise money more easily. Yet, the regulation of these structures often hinders our ability to drive meaningful change. A thorough understanding of IRS rules empowers leaders to shield critical movement infrastructure while advancing bold, unapologetic work. Too often, fear and uncertainty based on misinterpretations of these rules keep organizations sidelined in critical fights. Compliance fluency is key to unlocking our movements' potential and getting fully in the game.

Risk management is everyone's job. Organizations are typically legally responsible for actions their employees take in the scope of their employment. Therefore, as leaders, we are obligated to protect our organizations and each other from unnecessary risk and to further an