



Let's Go Legal Federal Law

Speakers: Jodi Nishioka and Judy Andrews

00:00:00 Video description: The text "Let's Go Legal! The right road to compliance and protection" appears at the top of the screen. An animated orange smart car drives down a country road on a sunny day. On the bottom of the screen are the Nonprofit Association of Washington logo, the shape of the state of Washington made of colorful shapes with the words "Nonprofit Association of Washington" under it, and the Communities Rise Logo, the word "Communities" arching over the word "Rise" with two curved yellow lines intersecting underneath.

00:00:04 Video description: The screen fades to white. Text that reads "Federal Law" appears on the left side of the screen. The US interstate symbol appears within a red circle on the right side of the screen.

00:00:07 Jodi: If you want to go farther and drive on the big highways, more rules apply. That's where the federal government comes in.

00:00:13 Video description: The Let's Go Legal color wheel appears on the screen. The color wheel is split into five sections with an orange smart car with a license plate that says "LGL" at the center. The five sections are labeled, state law (orange), federal law (red), fundraising (purple), employment (blue), and intellectual property (green). A line in the shape of a "T" comes off each section connecting icons and words related to each section.

00:00:13 Jodi: First, let's clarify the words we are using.

00:00:18 Video description: The screen fades to white. Text that reads "A nonprofit is a corporation serving the public good" appears.

00:00:17 Jodi: A nonprofit is a corporation serving the public good. Nonprofits can have 501(c)3 tax exemption.

00:00:27 Video description: *The previous text disappears and new text appears that reads "501(c)3 is a **tax status.**"*

00:00:27 Jodi: 501(c)3 is a tax status that nonprofits can get from the IRS.

00:00:35 Video description: *The previous text disappears and text that reads "You don't have to have 501(c)3 tax-exempt status to do your work" appears.*

00:00:35 Jodi: You don't have to have your 501(c)3 tax exemption to do your work. If you don't have 501c3 status and want it, you need to apply to the IRS.

00:00:46 Video description: *A photo of the 2022 edition of the Washington Nonprofit Handbook: How to Form and Maintain a Nonprofit Corporation in Washington State appears on the screen. On the cover is a picture of a pond with lots of pine trees and Mount Rainier in the distance. Under the photo is the website to access the handbook: nonprofitwa.org/washington-nonprofit-handbook-2022-edition*

00:00:46 Jodi: We suggest that you start with the Washington Nonprofit Handbook. Skip ahead if you are not a 501(c)3 and are not interested in getting tax exemption.

00:00:56 Video description: *The Let's go legal color wheel appears on the screen and zooms in to the federal law section. Text that reads, "If you want to move faster between states you need to drive on a federal road, and more rules apply" appears at the top of the screen. There are five icons next to the color wheel: a heart, a hand holding two dollar bills, a capitol building, a vote sticker, and a flashlight.*

00:00:58 Jodi: There are five main ideas to know when talking about federal law for 501(c)3 organizations. First, charitable purpose.

00:01:08 Video description: *Text that reads "Charitable purpose" appears next to the heart icon.*

00:01:08 Jodi: You need to do something to benefit society. There is a definition of what is considered charitable in the kit.

00:01:18 Video description: *Text that reads "Private benefit" appears next to the icon of a hand holding money.*

00:01:17 Jodi: Second, private benefit. Individuals and organizations may not benefit personally from the activities of the organization.

00:01:28 Video description: *Text that reads "Lobbying" appears next to the capitol icon.*

00:01:27 Jodi: Third, lobbying nonprofits can educate policymakers and others about the work of their organization with no limits. Nonprofits may advocate for policy issues on a limited basis. We have included detail on the lobbying limits in this kit.

00:01:44 Video description: *Text that reads "Political campaigning" appears next to the vote sticker icon. The screen fades to white. Text appears that reads "Under no circumstances may a 501(c)3 organization participate in the endorsement of a candidate running for public office."*

00:01:44 Jodi: Fourth, public campaigning. Under no circumstances may a 501(c)3 tax exempt organization participate in the endorsement of a candidate running for public office.

00:01:58 Video description: *The video returns to the federal law section of the LGL color wheel and public documentation appears next to the flashlight icon. The screen*

fades to white and a light bulb appears. Under the light bulb is text that reads, "Application & Form 990."

00:01:58 Jodi: Fifth, Public Documentation. It is important that nonprofits don't operate in the dark. Your application and annual tax return, the IRS Form 990, are public documents.

00:02:11 Video description: *The video returns to the federal law section of the LGL color wheel.*

00:02:12 Jodi: Let's hear from nonprofit attorney Judy Andrews on what should pay close attention to about federal tax law and Section 501(c)3.

00:02:21 Video description: *A video of a person with shoulder length wavy brown hair wearing a dark grey sweater and a blue scarf appears. Behind them is a light grey wall. The LGL color wheel appears with text of the speaker's name, Judy Andrews.*

00:02:21 Judy: I see three common problems in the area of federal tax law. The first is with the Form 990, you need to file the annual Form 990 each year. And if you don't file it for three years in a row, your tax exemption will be automatically revoked by the IRS. The second area is private benefits. A private benefit occurs when someone receives a benefit from a nonprofit, which is greater in value than what they give. So if we take Wendy the board president from our state law example, and she leased the space in her family building to the nonprofit for \$200 more a month than the space is worth. She's receiving an improper private benefit because she's receiving more from the nonprofit than the space that she's renting is worth. So the third area is confusion between lobbying and political campaigning. So lobbying is all about an issue that's before a legislative body. And political campaigning is about a person who's running for office. So the Friends of the Library can encourage people to vote yes on a ballot initiative that will be building more libraries, but they can't post campaign signs for the mayor's election.

00:03:41 Video description: *The LGL color wheel appears on screen with a list of key documents that appear in text one by one: "Form 990, conflict of interest policy."*

00:03:41 Jodi: There are some key documents to review and keep up to date: The IRS Form 990 and a conflicts of interest policy.

00:03:49 Video description: *A preview of the Federal Law Checklist appears on the screen with a large green check mark.*

00:03:49 Jodi: Your kit includes a checklist to help you move forward.

00:03:53 Video description: *The checklist moves off screen to reveal a black and white drawing of a four-lane highway with on ramps and a sign with an arrow for the IRS. The animated smart car drives across the highway.*

00:03:53 Jodi: Those are the basics of what you need to know about federal law. With your 501(c)3 status in hand, you have what you need to raise money from donors and foundations.

00:04:04 Video description: *The text "Let's Go Legal! The right road to compliance and protection" appears at the top of the screen. An animated orange smart car drives down a country road on a sunny day.*

00:04:09 Video description: *The screen fades to white with a pencil drawing of a country road through some hills. Text that reads "Download the Let's Go Legal guide: nonprofitwa.org/learn. Tell your board about Boards In Gear (BIG) & Finance Unlocked for Nonprofits (FUN) also available from Nonprofit Association of Washington" scrolls up the screen, pauses for a few seconds and then disappears.*

00:04:16 Video description: Text that reads "Let's go Legal was guided by a team of legal advisors. We greatly appreciate their contribution: Brenda Tausch Lapora, Jodi Nishioka, Judy Andrews, Nancy Stephens, Taylor Ball. Their contribution should not be viewed as legal advice" scrolls up the screen, pauses for a few seconds, and then disappears.

00:04:19 Video description: Text that reads "Let's Go Legal was created by Nonprofit Association of Washington and Communities Rise, and was sponsored by the Washington Office of the Secretary of State. ©2022 Nonprofit Association of Washington. All rights reserved. Music: Smiling Cars by David Szesztay" scrolls up the screen and pauses for a few seconds, and then disappears.

00:04:23 Video description: The screen fades to black. Text that reads "3 Choices Creative Communications" appears on the screen above a logo of an eye. Under the eye, text reads "3greatchoices.com."