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Potential Changes for Churches and Charities Regarding Political Campaigning.

A few weeks ago, President Trump announced that he would advocate for the repeal of the prohibition against certain religious organizations (i.e., those exempt from paying federal income taxes under Section 501(c)(3)) from engaging in political campaigning. His statement was made at the National Prayer Breakfast to a group of religious leaders. However, since the prohibition applies to all Section 501(c)(3) entities (e.g., 501(c)(3) universities and hospitals), it seems likely that any such repeal would also apply to all Section 501(c)(3) entities.

To be clear, the prohibition on political campaigning does not apply to religious organizations or other charities per se. Rather, the ban only applies to those entities that have obtained Section 501(c)(3) status. A 501(c)(3) organization is exempt from federal income tax on what would otherwise be its taxable income (aside from taxable income derived from a trade or business that is unrelated to the organization's tax-exempt purpose), and donors to a 501(c)(3) organization may, subject to certain limits, claim a federal income tax deduction for contributions made to the 501(c)(3) organization. In other words, under current law, a Section 501(c)(3) organization has chosen to give up its right to engage in political campaigning in exchange for generous federal income tax benefits. The practical impact of the ban (also known as the Johnson Amendment) is that Congress has decided for the past 60 years that the federal government will not subsidize political campaigning by 501(c)(3) organizations.

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