



February 27, 2014

Ms. Amy F. Giuliano
Office of the Associate Chief Counsel (Tax Exempt and Government Entities)
CC:PA:LPD:PR (REG-134417-13)
Room 5205
Internal Revenue Service
P.O. Box 7604, Ben Franklin Station
Washington, DC 20044

RE: Guidance for Tax-Exempt Social Welfare Organizations on Candidate-Related Political Activities

Dear Ms. Giuliano:

The National Alliance of Community Economic Development Associations (NACEDA) is an umbrella organization of 35 state and regional associations for community development in 26 states, touching over almost 2,200 nonprofit organizations, all working to increase opportunity and improve the quality of life for residents of low-income communities. Our organization represents urban, rural, and suburban communities that are newly emerging and long established – a diverse network of communities and organizations unified around a community-based and entrepreneurial set of approaches to community development.

NACEDA and the undersigned organizations appreciate the opportunity to provide comments on the Notice of Proposed Rulemaking issued by the Internal Revenue Service (IRS) and the Treasury Department regarding guidance on what constitutes candidate-related political activity for tax-exempt 501(c)(4) social welfare organizations, as well as the current standards by which social welfare organizations are considered to be operating exclusively for the promotion of the common good and general welfare of the people of the community.

Part of NACEDA's mission is to represent the voice of community development corporations (CDCs) and other similar 501(c)(3) community-based development organizations working to lift up underserved and disinvested neighborhoods and in both urban and rural communities. Community development corporations (CDCs) are unique because of their mission-based approach to developing the physical and social infrastructure of neighborhoods. Their unique approach is community-driven and collaborative at the local level. They require deep connections among neighborhood residents, philanthropy, and local government to lift up communities that are disinvested and/or abandoned.

Social justice and civic engagement is at the heart of every CDC. Civic engagement, voter registration, and responsive local government has been – and will continue to be – a vital and necessary tool these 501(c)(3) organizations use to improve the lives of individuals living in underserved and disinvested urban and rural neighborhoods.



“We fear the proposed rule will undermine the missions of these organizations (CDCs) and ultimately hurt low and moderate-income neighborhoods.”

Admittedly, the proposed rule is targeted at the activity of 501(c)(4) organizations. However, the proposed rules would have a substantial chilling effect on civic engagement efforts of 501(c)(3) organizations, undermining decades of vital work educating the public and elevating the level of civic discourse in the United States.

Historically, both 501(c)(3) and 501(c)(4) organizations have long been permitted to engage freely in nonpartisan civic education activities—so long as they were not involved in political campaigns. Yet, without a new mandate or direction from Congress, Treasury has proposed a new constraint to the definition of social welfare for 501(c)(4) organizations in this rulemaking: “the promotion of social welfare does not include direct or indirect candidate-related political activity.” The standard for “candidate-related political activity” is sweeping, and captures nonpartisan activities like voter registration and get-out-the- vote drives, voter guides, bipartisan candidate forums or debates, and communications that refer to candidates in any way in proximity of an election.

The proposed rules will inevitably deter 501(c)(3)s from engaging in perfectly legitimate nonpartisan civic education and voter engagement activities. Many nonpartisan activities that 501(c)(4)s currently undertake would be considered “political” for 501(c)(4)s but not for 501(c)(3)s, creating tremendous uncertainty, confusion, and burdensome compliance costs. Instead of continuing to rely on the “facts and circumstances” test for 501(c)(3)s, foundation staff may conflate this test with the “candidate-related political activity” standard in the new rules and prohibit grant-making for civic engagement activities altogether.

We also caution Treasury about extending the definitions in these rules to 501(c)(3) organizations. If both 501(c)(4) and 501(c)(3) organizations no longer provide or support nonpartisan voter education activities, the public would be deprived of these invaluable services that are vital for a functioning democracy. If 501(c)(3) and 501(c)(4) organizations cannot engage in non-partisan voter education, the only voter education allowed would be done by partisan candidates, parties, PACs and others. With many newspapers considering non-profit organizational forms, even the media might be limited.

In the case of CDCs, this rule could literally rob marginalized families, individuals , and communities of economic and cultural opportunities.

We strongly recommend the Internal Revenue Service leave in place the civic and political tools available to CDCs and 501(c)(3) organizations.

Sincerely,

A handwritten signature in black ink that reads "Frank Woodruff". The signature is fluid and cursive.

Frank Woodruff
National Alliance of Community Economic Development Associations
1628 16th Street, NW Floor 4
Washington, DC 20009



Bernie Mazyck
South Carolina Association of CDCs
P.O. Box 20577
Charleston, SC 29413

Rick Sauer
Philadelphia Association of CDCs
1315 Walnut Street
Suite 1600
Philadelphia, PA 19107

Terry Chelikowsky
Florida Alliance of CDCs
126 West Adams Street
Suite 601
Jacksonville, FL 32202

Joe Kriesberg
Massachusetts Association of CDCs
15 Court Square
Suite 600
Boston, MA 02108

Betsy Crum
Connecticut Housing Coalition
30 Jordan Lane
Wethersfield, CT 06109

Nate Coffman
Ohio CDC Association
33 North 3rd Street
Suite 200
Columbus, OH 43215

Matt Hull
Texas Association of CDCs
1524 S. IH 35
Suite 310
Austin, TX 78704

Staci Berger
Housing and Community Development
Network of New Jersey
145 West Hanover Street
Trenton, NJ 08618

Jim Roth
Metropolitan Consortium of
Community Developers
3137 Chicago Avenue South
Minneapolis, MN 55407

Elizabeth Hersh
Housing Alliance of Pennsylvania
2 S Easton Road
Glenside, PA 19038

Susan Perry Cole
North Carolina Association of CDCs
3109 Poplarwood Court # 209
Raleigh, NC 27604

Jamie Schriener-Hooper
Community Economic Development
Association of Michigan
1118 S. Washington
Lansing, MI 48910

Mary Childs
National Development Council
708 Third Avenue
Suite 710
New York, NY 10017

Neighborhood Recovery CDC
5445 Alameda Road Suite #505
Houston, TX 77004

WREM Literacy Group
100 Clark Street
Prairie View, TX 77446

Sharon Legenza
Housing Action Illinois
11 East Adams Street
Suite 1601
Chicago, IL 60603

Alan Greenlee
Southern California Association
of NonProfit Housing
501 Shatto Place
Suite 403
Los Angeles, CA 90020