

# 501(c)(3) Tax Designation Fact Sheet - March 2018



## Introduction

The Idaho Library Association (ILA) is a state chapter of the American Library Association (ALA). The primary purpose of the Idaho Library Association is to maintain an educated, connected, and empowered library workforce. This includes activities such as the annual conference, regional conferences, the ILA email list LIBIDAHO, LiLAC, other training opportunities, lobbying, and advocacy.

As of March 2018, the Idaho Library Association is currently a 501(c)(6) organization.

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501(c)(6) organizations are a type of non-profit. The 501(c)(6) designation is an IRS determination. Real estate boards, business leagues, and chambers of commerce are typically these organizations. 501(c)(6) organizations may engage in an unlimited amount of lobbying so long as it is related to their common business interest.

The ILA has encountered many barriers due to this tax designation which hinder the ability for ILA to sustain inflation costs, growth, activities, and create operating costs infrastructure. The 501(c)(6) tax designation, combined with growing expenditures that do not earn profit and reduced membership, have caused financial exigency in the organization for the last three years. Over the past ten years, the ILA Board has used a significant portion of savings to afford costs of having a legislative consultant.

The current fiscal year 2018 (our fiscal year is the calendar year) has a projected deficit of \$10,000 - meaning we plan to spend \$10,000 more than the projected income. Cutting budgetary items at this time would mean eliminating high priority items. The ILA must make careful decisions, with your input, to ensure the sustainability of our organization. We want to hear from you, so please share ideas and suggestions about how to improve our business model with any of our officers. We are growing our expectations that annual and regional conferences must earn a small profit to contribute to the infrastructure and operations accounts.

## **Fast Facts**

- Only 3 state chapters, other state library associations, of the American Library Association are 501(c)(6)
- Of those 3 chapters - two are working toward moving to 501(c)(3)
- ILA has been working with ALA and the Maine Library Association to learn more about this process for the past two years
- The ILA needs 35 new and renewing members each month to pay the bills each month, so long as conferences earn a \$10,000+ profit. Without that profit, we would need a total of 52 new and renewing members each month to meet the deficit.
- ILA currently has 264 members statewide, or about 22 members per month.

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- The annual budget for the ILA is less than \$100,000 and roughly speaking fifty percent of the funding is spent on the annual conference. The annual conference pays for itself with income generated, and at times breaks even or earns a \$5000-\$8000 profit.
  - A 501(c)(3) organization cannot use more than 20% of its expenditures on direct lobbying.
  - ILA currently spends less than 14% of its expenditures on direct lobbying.

### **501(c)(3) Benefits**

Idaho Library Association would encumber significant financial savings through this move.

The ILA has existed in financial exigency for the past several years. In part, this includes membership reductions, inability for members to take tax deductions for their donations, inability for companies to make financial donations to the association, no discounts due to charitable status, costly tax issues, and requirement to pay sales tax. In addition, the organization suffers significant internal and external communication issues, some of which would be alleviated via the non-profit status acquisition of Google Suite.

Moving to 501(c)(3) status would allow ILA to become a tax-deductible enterprise. Since over 70% of ILA's budget is spent on professional development (annual and regional conferences), the organization is not primarily a lobbying organization. Lobbying comprises less than 15% of ILA's annual expenditures, keeping the lobbying expenses within the requirements allowed for 501(c)(3) organizations. ILA would continue to work with a legislative consultant. We are maximizing your membership dollars to retain current services.

### **Summary of 501(c)(3) Benefits**

**Tax deductible - ability to fundraise - reduced postal rates - retain a legislative consultant - lower contracts on goods or services - no sales tax - free Google Suite - exemption from federal tax - ILA has wanted to make this move for years. It's the right thing to do. Please help us.**