

501(c)(4) Organizations: Giving with an Edge

Many founders are familiar with tax-exempt charitable organizations. These nonprofit entities—which are commonly known by reference to Section 501(c)(3) of the Internal Revenue Code—are operated exclusively for a broad range of charitable purposes. 501(c)(3) organizations come in a wide range of flavors, including private foundations, donor-advised funds, and public charities. When funds are donated to a 501(c)(3) organization, the donor can claim an income tax deduction for the contribution, and revenues generated by these organizations are generally earned on a tax-free basis.

A lesser-known form of tax-exempt entity is a 501(c)(4) social welfare organization. 501(c)(4) organizations can provide an alternative structure for founders who wish to engage in certain forms of advocacy that are more challenging, or prohibited, for 501(c)(3) organizations. Prominent founders—from Sergey Brin to Marc Zuckerberg—have found ways to incorporate 501(c)(4)s into their giving.

Section 501(c)(4) recognizes as tax-exempt, among other things, “[c]ivic leagues or organizations **not organized for profit** but **operated exclusively for the promotion of social welfare**....” The Treasury Regulations explain that an organization is operated exclusively for the promotion of social welfare “if it is primarily engaged in promoting in some way the common good and general welfare of the community.” These purposes are broader than the charitable purposes defined under Section 501(c)(3)—the key is that the organization does not operate for the benefit of an individual or a group of individuals, but instead to benefit the broader community. 501(c)(4) organizations have included, among many others, policy advocacy organizations, recreation centers, and community development finance institutions.

A 501(c)(4) organization is easy to establish and can engage in certain forms of advocacy in a more robust manner than a 501(c)(3) organization. For example, a 501(c)(4) organization can engage in political campaign intervention, such as endorsing or criticizing a candidate for public office, as long as that intervention is not the primary purpose of the organization. It can also engage in more lobbying activities than a 501(c)(3) public charity (and which are prohibited for private foundations). A founder may conclude that engaging in this type and level of advocacy is the most effective way to achieve the founder’s philanthropic goals.

Donations to a 501(c)(4) are generally not tax deductible to the donor, a major disadvantage when compared to a 501(c)(3). However, sometimes founders are willing to forego additional tax deductions for the flexibility to engage in the broad advocacy efforts afforded by a 501(c)(4). In addition, a 501(c)(4)’s donor disclosure list is redacted by the IRS and therefore is not made public by the federal government, giving the donor the option for more privacy when compared to a 501(c)(3) private foundation, which is required to publicly disclose certain donors on its annual federal tax return.

If you would like to explore whether a 501(c)(4) is an appropriate option for fulfilling your philanthropic or advocacy goals, the Founder Focus team is here to help.



Patterson Belknap has a multi-disciplinary team of lawyers who are focused on the legal needs of founders and entrepreneurs. A description of the full range of our services and attorney contacts can be found [here](#). Please visit the [Founder Focus Resource Center](#) for more content on a broad range of topics of interest to founders and their professional advisors.

This alert is for general informational purposes only and should not be construed as specific legal advice. If you would like more information about this alert, please contact the following attorney or call your regular Patterson contact.

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