

2013 Call to Annual Meeting

2013 CALL TO ANNUAL MEETING

Please bring these yellow pages with you to the meeting.

All members of the League of Women Voters of Berkeley, Albany & Emeryville are called to the Annual Meeting to enjoy a talk by Dr. Lisa Garcia Bedolla, approve a budget, adopt a program of study & action, approve changing the tax status of LWVBAE, and elect a new Board carry this forward.

Thursday, June 6, 2013

5:15 to 8:30 pm

Northbrae Community Church, 941 The Alameda, Berkeley

AGENDA

5:15 Registration and greeting old and new friends

5:30 Buffet dinner *

6:30 Speaker: Dr. Lisa Garcia Bedolla, “[fill in title]”

7:30 Call to Order Sherry Smith, President

- Introduction of Parliamentarian & Secretary
- Determination of Quorum & Adoption of Order of Business
- Accepting 2012 Annual Meeting Minutes
- Appointing committee to review 2013 minutes

Budget Report and Adoption Tom Coulter, Budget Chair

Adopt Program and Local Support Positions. . Sherry Smith, President

Board's Summary Report of the Year

Introduction of Outgoing Board

Board-Recommended Proposal for New Tax Status as a 501(c)(3) Entity under the Internal Revenue Code (see pp. of this Call to Meeting

Vote on Proposal

Election of 2013-13 Board

Directions to New Board from Members

Presentation of Awards

8:30 Adjournment

* The charge for dinner is \$15. Please call the office (843-8824), send email (office@lwvbae.org) or pay by credit card via PayPal (www.lwvbae.org/annualmeeting) by Friday, May 31, the last day to make a reservation. You may bring your own food. Please let us know if you would like a ride; we will be happy to arrange one for you.

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PROPOSED BUDGET 2013-2014	
Income	
Miscellaneous	\$100
Dues	\$17,000
Contributions	\$7,000
Contributions in lieu of Luncheon ticket	\$800
Community Luncheon gross	\$13,000
Program Meetings	\$1,200
Contract Services	\$1,000
LWVB Foundation	\$9,668
Dividends	\$0
Transfer from other assets	\$20,877
TOTAL INCOME	\$70,645
Expenses	
General	
Miscellaneous	\$0
Per Member Payments US	\$7,130
Per member Payments CA	\$5,290
Per Member Payments BA	\$230
Action with the League	\$2,500
Program-Meetings	\$1,000
Election Services	\$2,500
Member Services & Publications	\$5,500
Convention Subsidies & Workshops	\$6,000
Smart Voter	\$500
Administration	
Rent-lease	\$12,545
Professional Fees	\$3,000
Insurance	\$700
Supplies	\$3,000
computer software, supplies, paper	\$1,500
postage	\$800
Telecommunications	\$1,500
Government fees and taxes	\$500
Equipment purchase & maint	\$3,000
Board	\$200
Development & Community Outreach	
Community Luncheon expenses	\$11,000
Open House	\$250
Membership recruitment	\$2,000
TOTAL EXPENSES	\$70,645

PROGRAM

The Board recommends:

- (1) Retain all current positions (see below).
- (2) Begin no new local study.
- (3) Emphasize the following for education and action:
 - Climate Change
 - Health Care
 - Open Government

SUMMARY OF LOCAL SUPPORT POSITIONS

(See complete "Local Support Positions" for details. It is available at the League office to members upon request, or at <http://lwvbae.org>)

Local Government Structure: Policies that promote effective, efficient, economical and visible local government, representative of and responsive to all citizens.

- A. City Charter and Elections
- B. Council-Manager Form of Government
- C. Open Meetings
- D. Board, Commissions, and Committees--Standing and Ad Hoc

City Finances: Policies that support a tax structure that is flexible, broad-based, equitable, economical, easy to administer, and capable of producing adequate revenue.

- A. City budget
- B. Revenue and taxation

Planning: Planning policies aimed at achieving and maintaining a healthy, safe and livable physical environment for a diverse population. There should be a balance of residential, commercial, industrial and institutional uses, a variety of densities and housing types, and programs to enlarge the economic base.

- A. Economic development
- B. Transportation
- C. Zoning
- D. Housing
- E. Rent control (Berkeley only)
- F. Infrastructure

Local Government Services: Basic city services and amenities for all residents based on an overall evaluation of needs and available resources.

- A. Recreation
- B. Library
- C. Health and Mental Health
- D. Services and resources for children and youth

Education: A system of public education which meets the needs of all children, efficiently organized and administered, and supported by adequate funds for operation and facilities.

- A. Elementary through High School
- B. Community College

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Social Policy: Promotion of social justice by securing equal rights for all and providing services to meet special needs.

- A. Equal rights
- B. Senior citizens
- C. Juvenile justice

Civics Education: LWVBAE supports civics instruction as a priority in the K-12 public schools and school efforts to prepare all students to be informed, active citizens. Basic civic knowledge and skills should be taught at least by the end of the 8th grade.

SUPPORT POSITIONS OF THE ALAMEDA COUNTY COUNCIL OF THE LEAGUE OF WOMEN VOTERS

These positions have been voted on at the Annual Meeting of each of the Leagues of Alameda County. Changing or dropping one of these positions must be approved by five of the seven Leagues of Alameda County.

The Board recommends:

Retain current Alameda County positions on:

- Juvenile justice, and
- Children's mental health services
- Alameda Co. Board of Education & Alameda Co. Office of Education

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**RECOMMENDATION OF THE NOMINATING COMMITTEE
FOR 2013-2014 BOARD POSITIONS**

President:	Nancy Bickel
Secretary:	Pat Day
Treasurer:	Sarah Miyazaki
Action Coordinator::	Carol Stone
Election Services Coordinator	Phyllis Gale
Membership Coordinator:	Dean Metzger
Program Coordinator:	Sherry Smith

Submitted by the Nominating Committee: Pat Day, Suzanne Chun, Jane Coulter

LETTER TO MEMBERS FROM THE LWVBAE BOARD REGARDING AMENDMENT OF ARTICLES OF INCORPORATION AND BYLAWS

To all members:

After serious internal discussions, as well as consultation with LWV California, the Board of Directors has concluded that it would be advantageous for both our League and its members and donors for the League to apply to the Internal Revenue Service to convert its tax exempt status from Internal Revenue Code §501(c)(4) to §501(c)(3). Accordingly, the Board authorized LWV California to include us in a group exemption request, which has been filed with the Internal Revenue Service, to make such a conversion.

The most certain benefit made possible by such a conversion is that membership dues and contributions payable to our League would be tax deductible for the members/donors who itemize deductions in their personal income tax purposes. We feel that this will be of real benefit to many of our members. Equally, we would hope that such tax deductibility might also make it more attractive for our members and donors to make or increase their contributions to our League.

Equally important to this proposal is that the Board is comfortable that such a conversion will not change or limit our existing activities, and most particularly will not in any way act to limit our League's work in advocacy or action.

For a further explanation about various aspects of this kind of conversion, we have included a document prepared by LWV California, Frequently Asked Questions, which answers questions which have been raised by various Leagues around the state about a conversion to §501(c)(3).

The proposed amendments we are putting forth for approval by the members are conditional ones due to the logistics of the IRS application process. The IRS will not approve an application unless the applicant's articles of incorporation and bylaws have been amended to meet the IRS' specifications. On the other hand, if the IRS were not to approve our League's application, there would be no reason to implement these amendments. Accordingly, we are asking that the members approve the proposed amendment language, and delegate to the Board the authority to implement the amendments when the Board, in consultation with LWV California, is comfortable that the IRS will approve the application following implementation of the amendments.

Sherry Smith, President, LWVBAE, on behalf of the Board of Directors

League of Women Voters of Berkeley, Albany, and Emeryville

Proposed Amendments of Articles of Incorporation and Bylaws

General Background

The procedure for amending our League's bylaws is set forth in Article XII of the Bylaws. To pass, the proposed amendments must receive a two-thirds (2/3) vote of the delegates present and voting at the Annual Meeting. There are no similar procedures governing the amendment of our League's Articles of Incorporation, but the Board of Directors has concluded that generally the same procedure should be followed for both types of amendments.

To facilitate your deliberation, the proposed amendments are set forth below along with the recommendations of the Board of Directors for action on these amendments. Language to be deleted is indicated by a ~~strikethrough-effect~~. New language is indicated by underlining.

Delegates are asked to consider three (3) changes: to amend Article I of the League's Articles of Incorporation to reflect the League's current name; to amend Articles II and VII of the League's Articles of Incorporation; and to amend Articles II and VIII of the League's Bylaws. The latter two changes are related to our League's proposed conversion to tax exempt status under §501(c)(3), which is explained in more detail in the enclosed material.

Proposal No. 1: Amendment of Article I of the Articles of Incorporation

Proposed and Recommended for Approval by the Board of Directors:

That Article I of the Articles of Incorporation be amended as follows:

Article First: The name of this corporation shall be League of Women Voters of Berkeley, Albany, and Emeryville.

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Proposal No. 2: Amendments to Article II and Article VII of the Articles of Incorporation

Proposed and Recommended for Approval by the Board of Directors:

That Article II and Article VII of the Articles of Incorporation be amended as follows, provided, that these changes shall not be filed with the California Secretary of State until the Board of Directors, in consultation with LWV California, is confident that the Internal Revenue Service will approve the League's application (as part of the LWV California group exemption request) to convert to tax exempt status under §501(c)(3) following the implementation of these

amendments:

Article II: The purposes for which this corporation is formed are:

A. The specific and primary purposes are to promote political responsibility through informed and active participation of citizens in government;

B. The general purposes and powers are to take action on local governmental measures and policies in the public interest in conformity with the principles of the League of Women Voters of the United States. This Corporation shall not support or oppose any political party of candidate.

C. This corporation is organized and operated exclusively for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Notwithstanding any other provision of these Articles, the corporation shall not carry on any other activities not permitted to be carried on by a corporation exempt from Federal Income Tax under such provisions of the Internal Revenue Code. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation.

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Article VII: This corporation is one which does not contemplate pecuniary gain or profit to the members thereof and it is organized solely for nonprofit purposes. In the event of the merger or dissolution of this corporation for any reason, all money and securities or other property of whatsoever nature which at the time be owned or under the absolute control of the corporation shall be distributed at the discretion of the board, or such other persons as shall be charged by law with the liquidation or winding up of the corporation and its affairs, to any member organization of the League of Women Voters national organization which is exempt under Section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code; or if none of these organizations are then in existence or exempt under those tax provisions, then, at the discretion of the board, to another organization which is organized and operated exclusively for charitable and educational purposes and which has established its tax-exempt status under such designated tax provisions. If this corporation holds any assets on trust, such assets shall be disposed of in such manner as may be directed by decree of the superior court of the county in which this corporation's principal office is located, upon petition therefore by the Attorney General or by any person concerned in the liquidation.

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Proposal No. 3: Amendment to Article II and VII of the Bylaws

Proposed and Recommended for Approval by the Board of Directors:

That the following articles of the Bylaws be amended as follows, provided, that these amendments shall not be effective until the date of certification by the California Secretary of State of the amendments to the League's Articles of Incorporation described above:

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Article II, Section 1. Purposes. The purposes of the LWVBAE are to promote political responsibility through informed and active participation of citizens in government and to act on selected governmental issues. The LWVBAE is organized and operated exclusively for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future federal tax code. Notwithstanding any other provision of these Articles, the LWVBAE shall not carry on any other activities not permitted to be carried on by a corporation exempt from Federal Income Tax under such provisions of the Internal Revenue Code. No substantial part of the activities of the LWVBAE shall be the carrying on of propaganda, or otherwise attempting to influence legislation.

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Article VII, Section 5. Distribution of Funds on Dissolution. In the event of the merger or dissolution of LWVBAE for any reason, all money and securities or other property of whatsoever nature which at the time be owned or under the absolute control of LWVBAE shall be distributed at the discretion of the board, or such other persons as shall be charged by law with the liquidation or winding up of LWVBAE and its affairs, to any member organization of the League of Women Voters national organization which is exempt under Section 501(c)(3) of the Internal Revenue Code or the corresponding section of any future federal tax code; or if none of these organizations are then in existence or exempt under those tax provisions, then, at the discretion of the board, to another organization which is organized and operated exclusively for charitable and educational purposes and which has established its tax-exempt status under such designated tax provisions.



CONVERSION OF LOCAL LEAGUES TO TAX EXEMPT STATUS UNDER §501(C)(3) FREQUENTLY

ASKED QUESTIONS

Note: These questions are the most common ones received from local Leagues considering a tax status conversion, and may not address all of the issues an individual League may need to consider in this situation. Also, they do not address the issues faced by the League of Women Voters of California.

*If you have additional questions, or need further information, contact
Tom Carson, LWVC Treasurer, 818-840-0417, tpcarson@yahoo.com.*

What does it mean that a League is “tax exempt”?

If qualified under Internal Revenue Code §501(c)(3) or (4), a League is itself exempt from federal and state income tax. However, a League may still be liable for other kinds of taxes, such as personal property taxes, sales or use taxes, etc., depending on its activities.

What is our League’s current tax exempt status, and what are the advantages and disadvantages of this status?

Historically, Leagues (other than separately formed League Education Funds) have qualified as tax exempt under §501(c)(4). Besides being exempt from income taxes, this status permits a League to undertake unlimited lobbying activities. However, although many Leagues pursue various kinds of advocacy, usually only a very small part of a League’s advocacy activities fit the definition of “lobbying” (see discussion of this term below).

The major disadvantage to §501(c)(4) status is that membership dues and contributions paid directly to a League are not tax deductible to the members/donors. Tax deductible contributions may be made on behalf of a League through the LWVC Education Fund, but such funds cannot be used to support all of a League’s expenditures.

What is “lobbying” in this context?

The definition of “lobbying” for tax purposes is closer to the League concept of “action” than the broader term “advocacy.” Activities are classified as lobbying if they are related to acts, bills, resolutions, or similar items (a) at the federal, state or local legislative level, or (b) in ballot measures, e.g., a referendum, initiative, constitutional amendment, etc. These activities may address the introduction, amendment, enactment, defeat, or repeal of Acts, bills, resolutions, or similar items. By contrast, a League can advocate for various kinds of reform, but such advocacy does not constitute lobbying from a tax perspective unless it includes a reference to specific proposed legislation, specific ballot propositions, etc.

Additionally, lobbying activities must involve communication with any member or employee of a legislative body, or with any other government official or employee who may participate in the formulation of the legislation. It also includes “grass roots” lobbying, or communication with members of the organization or members of the public to urge them to contact their legislator, etc., or to vote for or against a ballot proposition, etc.

In the local League context, such “action” or lobbying normally involves just members’ time rather than out of pocket expenditures to the local League, but occasionally a League may incur expenditures in this regard.

What determines whether a League can qualify for tax exempt status under §501(c)(3)?

In order to qualify as tax exempt under §501(c)(3), a League’s lobbying activities cannot constitute a “substantial part” of its overall activities. In measuring what constitutes a “substantial part,” a League can elect to measure the magnitude of its lobbying activities based on the ratio of its lobbying expenditures to its total expenditures (rather than by the number of hours spent on lobbying as a percentage of total time spent). It is only if a League’s lobbying expenditures reach or exceed 20% of its total expenditures over a multi-year period, that its lobbying activities are deemed to be a “substantial part” of its overall activities and it would not be able to qualify under §501(c)(3). It is hard to imagine this happening for almost any local League over a multi-year period.

Every League has at least a minimum amount of lobbying expenditures due to (a) the fact that a small portion of its LWVUS and LWVC Per Member Payments will be considered lobbying expenditures on a “look-through” basis; and (b) the fact that local Leagues often reproduce LWVC’s recommendations on ballot measures in their VOTER issues and League websites. Most Leagues do not incur much more lobbying expenditures than these minimum items.

Therefore, most Leagues should be able to qualify under §501(c)(3) without having to change their normal level of activities, and definitely should not have to limit their levels of advocacy or even action.

What are some of the advantages of our League converting to being tax exempt under §501(c)(3)?

The most certain benefit from such a conversion would be that member dues and contributions paid directly to a §501(c)(3) League would be tax deductible for its members or donors who itemize their deductions. (The dues are fully deductible provided that the League does not provide any benefits directly to its members as a condition of membership.)

It would be hoped that a League could achieve a higher level of contributions once they become tax deductible, but it will be hard to establish exactly what the impact of this change would be.

Additionally, with this status a League would be eligible (a) to obtain foundation or government grants, which are very difficult to obtain with a §501(c)(4) status; and (b) to obtain discounts

from certain vendors (e.g., PayPal). Finally, there would be less administrative work under this status because a League would no longer have to maintain an Ed Fund account at LWVCEF to receive tax deductible contributions.

What are the possible disadvantages or costs to our League from converting to being tax exempt under §501(c)(3)?

First, it is necessary to formally apply to the IRS for qualification under §501(c)(3). On a stand-alone basis, a League's application effort would be very time-consuming, and it may not have members qualified to handle this process. However, LWVC has minimized this issue because in April 2012 it filed a "group exemption request" on behalf of local Leagues which want to make this conversion. Additional Leagues may join this group effort during the IRS review process.

So far 32 California Leagues have joined in LWVC's group request. (Three Leagues have previously applied and are now qualified under §501(c)(3).) LWVC will handle all of the communications with the IRS about the group request, and the most a local League will possibly have to do is to provide specific information the IRS may request. Also, a League would have to pay a filing fee of \$400 or \$850 (depending on its size) for an individual application, while to participate on a group basis these fees will be reduced to approximately \$50 or \$110 per League.

It should be noted that LWV Wisconsin filed such a request for its 17 local Wisconsin Leagues, and received IRS approval in mid-2011. LWV Washington State and LWV Minnesota are actively exploring this same approach. Three California Leagues (Alameda County, Glendale/Burbank and Pasadena Area) have also qualified under §501(c)(3).

What other kinds of issues should be addressed by our League regarding conversion to being tax exempt status under §501(c)(3)?

If a League concludes that it wished to convert its tax status, it will be very important to develop a plan of communication with its "stakeholders" to be sure that they understand the reasons for the change of tax status, and what such a conversion means regarding the League's operations on an ongoing basis. These "stakeholders" should include not only League members but also significant donors and organizations it works with in its local community. This effort should have the highest attention of each League's leadership.

Are there any problems because a large part of any League's budget is composed of Per Member Payments being made to §501(c)(4) organizations?

No, this issue was specifically raised during the applications made by several California Leagues, and after lengthy discussions the IRS agreed that there were no problems with this structure under §501(c)(3).

Why does our League have to amend its articles of incorporation and bylaws?

Because of the benefits an organization can realize from its status under §501(c)(3), the IRS requires that certain safeguards be built into its foundation documents.

First, the IRS requires that the definition of an organization's purpose be specifically limited to fit within the parameters of §501(c)(3). This is the reason for the proposed amendment of the "Purposes" sections of the articles and bylaws.

Secondly, the IRS wants to be sure that assets which are being held for charitable, educational, etc., purposes under §501(c)(3) can only be transferred to another such qualified organization if the first organization is dissolved for some reason. Historically, a League's articles and bylaws have almost always provided that upon dissolution its assets will be transferred to LWVC or LWVUS, but these dissolution provisions must now be revised to be sure that the recipient League organization is qualified under §501(c)(3).

Are there additional reporting requirements for League which convert?

The great majority of Leagues currently file an e-Postcard with the IRS, and many with the Franchise Tax Board. For these, there is only a single additional form to be filed. For larger Leagues which file Form 990 or Form 990-EZ, there may be two additional forms to be filed, but overall the incremental work is very minimal.

There will also be a requirement that Leagues provide written acknowledgement to persons who contribute a total of \$250 or more (membership dues and donations) in a calendar year. Many Leagues already provide written thank you letters to donors beginning at much lower levels, so this tax requirement should not normally be an additional burden.

Do LWVUS and LWVC recommend that Leagues convert to §501(c)(3)?

Neither LWVUS nor LWVC believe that it is appropriate for them to "recommend" that a League pursue this conversion; rather it is a decision which can only be made by the board and members of each League based on its particular situation. A few Leagues have very specific individual factors which caused them to decide that it would be best not to convert, based on factors unique to their particular situation.

On the other hand, in order to support Leagues which wish to convert, as described above LWVC is committing significant time and effort to initiating and managing the group exemption request process, reducing the work burden on local Leagues and significantly reducing their out of pocket costs. LWVUS has also been supportive of the efforts of both LWV Wisconsin and LWVC on this issue.

Has LWVC applied to convert its status to qualify under §501(c)(3)?

LWVC filed its own application to convert to §501(c)(3) in May 2012. Because there are two state League organizations (LWVC and LWVCEF), and its operations are much more complex

than those of a local League, the LWVC Board of Directors has formed a Task Force to help the Board give additional consideration to the potential ramifications of such a conversion.

What if a League converts to §501(c)(3) and then wants to convert back?

Actually almost all Leagues can simultaneously meet the qualifications of both §501(c)(3) and (4), although under IRS rules they can only have one of those classifications at a time. Accordingly, if a League were to determine that it no longer wishes to be qualified under §501(c)(3), it would be relatively easy for it to apply to the IRS to convert back to §501(c)(4), with the attendant fee, and there should be no reason that the IRS would refuse to grant approval to the application.

There is much discussion in the media about the possibility of major tax reform. How should this impact making a decision on conversion to §501(c)(3)?

There is no way to judge the likelihood of tax reform legislation, or if there is, what form it might take. Discussion about different types of tax reform are a continuous process, and an incredible variety of specific reforms have put forth for consideration. Clearly, §501(c)(3) organizations play an extremely vital part in our society, and they attract support from all parts of the political spectrum, so any attempt to remove or reduce the tax benefits of such organizations is going to require a truly massive political effort to be successful. And any such effort will have to provide an alternative tax treatment for the previously qualified organizations, because if you remove the benefits it would be necessary to also rewrite the conditions to which such organizations have been subjected.

The tax reforms most frequently suggested in this area in recent times have been to somehow limit the deductibility of contributions (and other itemized deductions) for high income taxpayers. Such an approach would have a much lower potential impact on the League of Women Voters because our most frequent donors are typically not among the most wealthy in our society.

If you have any additional questions, contact Tom Carson, Treasurer, LWVC, 818-840-0417, tpcarson@yahoo.com.

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POTENTIAL BENEFITS AND COSTS OF CONVERSION TO §501(C)(3)

Benefits	Costs
Membership dues and contributions are tax deductible to members/donors who itemize on their individual tax returns.	There are costs to filing application and related paperwork with Federal and state government agencies.
Tax deductibility of dues and contributions may increase revenues to the local League.	In order to get IRS determination, local Leagues will have to amend their articles of incorporation and bylaws, normally at an annual meeting.
It may be easier for a local League to qualify a foundation or government grant for League activities.	Annually, information must be collected and retained as to the local League's lobbying expenses, at least with respect
Some vendors (e.g., PayPal) give discounts to §501(c)(3) organizations but not other tax exempt organizations.	Local Leagues have a very modest additional tax reporting requirement.
Reduced financial administrative work for local League as a result of elimination of local League Ed Funds at LWVCEF.	