



The Seton Newsletter

Volume II, Issue I

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Special points of interest:

- Read our tips for recruiting volunteers for your organization. (pg. 4)
- Stay updated with new IRS requirements (pg. 2)
- Get a better sense of the kind of clients we have and the work we do. (pg. 3)
- IRS Email Scam Alert! (pg. 2)

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Laws to Require Charities to Disclose Spending

Lawmakers have recently focused more of their attention toward spending by charities by considering ways to require them to disclose specific details of their spending to donors.

Members of the House Oversight and Government Reform Committee said they wanted to make the public aware of organizations that spend a only small fraction of donations on their programs while the rest are spent on fund-raising costs, wages and perks. "Any charity ought to use a majority of its funds to benefit the purpose of that charity," said Chair committee Rep. Henry A.

Waxman. Critics argue that it would be difficult to draft legislation that is compatible with the U.S. Supreme Court decisions to offer free-speech protection to charitable solicitations.

A series of court rulings since 1980 found that state regulators may not force a charity to spend any given percentage of their revenues on fund-raising or require them to disclose their fund-raising costs to donors. However, regulators may prosecute charities for fraud if they present false infor-



Capital Hill

mation to donors on how their donations will be used.

Experts and critics agree that it will be difficult for state regulators and the IRS to enforce the new proposed law.

(Source: The Chronicle of Philanthropy)

IRS Concerns Over Charities That Avoid Federal Income Tax on Business Activities

Many charities are generating income through activities unrelated to their charitable purpose, such as retail sales and magazine publishing, but are remain able to enjoy the tax-exempt benefits of a charity.

By federal law, nonprofit organizations are required to pay tax on income generated through business-like activities that are not "substantially related" to their charitable mission.

The IRS recently released a

study of business practices of charities across the nation, which found that roughly two-thirds of public charities report little to no taxable income from activities unrelated to their core (cont. pg. 2) mission. In fact, some charities reported



(Cont. pg2) Charities Avoiding Taxes

losses after deductions and other calculations were taken into consideration.

Lawmakers and the IRS claim that charities are taking advantage of the laws governing the Unrelated Business Income Tax (UBIT), giving them an unfair advantage against private businesses who are not exempt from paying income taxes.

But legal experts argue that charities are not doing anything illegal but simply following the federal rules and guidelines that allow them to take deductions for their operating expenses protecting their income from tax.

Marc Owens, former chief of the IRS's tax-exempt and government-entities division, said, "The UBIT rules serve more as a boundary than as an actual

source of revenue to the government. It's a barometer that charities use to make sure they are keeping true to their mission."

However, Steven T. Miller, commissioner of the IRS's tax-exempt and government-entities division, told the House Ways and Means Committee, advocates of small commercial businesses, in July last year that "[this] movement raises a number of concerns, including the erosion of the nation's tax base, unfair competition with the commercial sector, and potential damage to the public's support of the charitable sector."

(Source: The Chronicle of Philanthropy)

Franchise Tax Report Deadline

The 2007 Annual Franchise Tax Reports and payment for Domestic Delaware Corporations are due on or before March 1, 2008. These reports **must** be filed electronically.

Failure to file a report, including the name and addresses of officers and directors by the March 1, 2008 deadline will result in a \$100 penalty; 1.5% monthly interest charge, and will prevent the company from obtaining good standing certificates.

Visit <http://www.corp.delaware.gov/frtaxcalc.shtml>

E-Mail Scam Alert

A scam email directed toward tax-exempt organizations and taxpayers claims to be from the IRS asking for pertinent information.

Lobbying for Non-Profits

A 501(c)(3) organization cannot spend a substantial amount of time or money on attempts to influence legislation. However, an organization can make an election (by the filing of IRS form 5768), which changes the criteria upon which the amount of activities/money spent on influencing legislation is calculated. By filing the 5768, an organization will

be electing to have the following "safe harbor" limits: Lobbying expenditures are limited to not more than 150% of the **Lobbying Nontaxable Amount (LNA)** for each tax year; and

" [An] organization cannot spend a substantial amount of time or money on attempts to influence legislation"

Grass roots expenditures (i.e. expenditures made for the purpose of influencing legislation by attempting to affect public opinion) are limited to not more than 150% of the **Grass Roots Nontaxable Amount (GNA)** for each tax year.

The LNA is likely the lesser of: 1) \$1,000,000 or 2) 20% of the exempt pur-

poses expenditures. The \$10,000 and your GNA GRA amount is 25% of the would be \$2,500 for that LNA. For example, if your year. exempt purposes expenditures are \$50,000, then your LNA would likely be

News Briefs

Revised Form 990

The IRS announced it would release a revised Form 990 and instructions over the next few months.

More Disclosure

California lawmakers recently approved a law to require big foundations to disclose a variety of information about the diversity of their leadership and grant making.

Economic Stimulus Act

Congress recently passed the Economic Stimulus Act of 2008 intended to boost our economy by providing incentives to businesses and tax rebates to individual taxpayers.

A Big Year of Giving

Last year, donations contributed by anonymous donors reached \$1.1 billion. This act of anonymous giving is growing trend.

Non-Profit Client Highlights

The Gift of Giving

A Client of the firm, and also a former CEO of a Fortune 500



Company, has formed a new foundation to give something back to the people by disbursing funds to public charities selected by his board of directors. Their directors will conduct a due diligence review of each organization prior to disbursing funds, which may include meeting with key personnel of the recipient organizations and reviewing their financial data and history.

A World Without Leashes

The Directors of a new organization devoted to canines have engaged the Firm to aid in the formation of Buffalo Off Leash Area, Inc. -- an organization that aims to create an "Off Leash" Recreational Area (Dog Park) on Buffalo's Waterfront in New York. The Organization envisions and supports a

series of officially sanctioned Off Leash Areas across our region in both fenced and unfenced formats organized by citizen action groups in coordination with our local municipalities.

I've Got a Pal

Father of the Co-Founder of Paypal, Dr. Harold Sacks, has engaged the Firm to help establish a foundation which will be the brainchild of father Sacks. This foundation will be dedicated to collaborative medical research on issues affecting the heart. If things go well, the results of the research may provide to a major medical breakthrough.



Bridging the Generation Gap

Dr. Gerald Newmark founded The Children's Project, with the aid of our firm, to educate parents and teachers about their children's emotional health. Their work-

shops are geared toward the millions of at-risk children who go through their school years anxious, confused, angry, isolated, sad and depressed.

Through their speaking engagements, The Children's Project will provide parents with various ways in which they can assist in preventing these issues from burdening their children .

Homeless Nights, Homeless Rights

Our firm has been engaged to help create The Western Regional Advocacy Project. The organization was created to solve the



systemic crisis of massive homelessness by creating public policies which respect homeless peoples' human rights to housing, health care, treatment, employment, equity, and educational opportunities.

For-Profit Client Highlights

VeryTag for Every Tag

A client of the firm, Greg Charillon, founder



of Verytag, LLC, announced a new deal with the C.E.O. of Street Saint, Jimmy Esebag, to have Verytag labels on items in the new Street Saint collection.

Verytag is a multi-faceted track and trace user interface marketing tool. Because each Verytag is a unique identifier, the system can be used to track and trace, verify or authenticate

and physical object. Verytag also acts as a powerful marketing tool to sell additional products to existing customers.

Seeing Stars



Our firm has recently been engaged by actress Kathryn Winnick, celebrity and star of several movies, including the role of Ivana Trump on the made for TV movie of Donald Trump, to represent her interests in her new joint venture business.

Green Is In

Founders of the Green Energy Advisors I and II, are back at again. They have engaged the Firm to structure an entity that



will purchase more "farmlands" in locales in Iowa which are dedicate to the growth of corn for Ethanol. The Firm will prepare all the legal documentation to raise capital for this multimillion dollar syndicate.

ANNOUNCEMENTS

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501(c)(3) and FTB Approvals

We had a great month! Congratulations to *F. R. O. D. O. (Foundation for the Relief of Disabled Orphans)*, *CMUL Alumni Association*, *Tora Enlightenment*, *The Your American Story Foundation*, *The Talented Youth*, *Haitian Organization for Progress and Equality Inc.*, *Grace & Mercy in Action* and the *Bet Levy Foundation* for their recent 501(c)(3) approval status by the IRS.

Congratulations also go out to *Street Corner Dreams* for their recent Trademark registration; *Pastoral Care School* and *Jack E. Rankin Foundation* for their recent

Federal Tax Board tax exempt approval.

Attention All New and Growing Business

The Investors' Circle will be holding their 2008 Investors' Circle Spring Conference & Venture Fair for angel investors, professional venture capitalists, philanthropic investors, and entrepreneurs who are using private capital to promote the transition to a sustainable future.

This is a great opportunity for new and growing businesses, foundations and organizations to present their business plan, ideas, goals and needs to group of

high net worth individuals, venture capitalists, social entrepreneurs and foundations looking for both financial and social returns. For more information, please visit their site at www.investorscircle.net

Seton Provides Memberships to CAN

Kent Seton, our managing partner, provided two of our newly approved non profit clients with memberships to the California Association of Nonprofits (CAN). Congratulations to *F.R.O.D.O. - Foundation for the Relief of Disabled Orphans*, *The Children's Project* and the *Your American Story Foundation* on their CAN memberships!

What Was Your First Book?

Our associates, Courtney Waggoner and Leila Stevens, are involved in a national Non-Profit Organization called First Book. Courtney and Leila are active with the LA Central Advisory Board of the organization. Courtney serves as an Advisory Board Member and Leila is a volunteer fundraiser.

First Book - LA Central is a new, dynamic, volunteer-based chapter that promotes literacy by providing books to children from low-income families in Los Angeles county. Through schools, after-school pro-



DO YOU REMEMBER THE MAGIC OF YOUR FIRST BOOK?

grams, and other organizations for kids, First Book-LA Central grants six to twelve brand-new books per student for them to take home and own. The First Book-LA Central Advisory Board was formed in February 2007 and has already granted thousands of books to hundreds of children, who otherwise would never have had the chance to own their own book.

For more information, or to donate, visit the LA Central Advisory Board website by visiting <http://www.firstbook.org/la>

Recruiting Graduates



Networking is a great way to recruit volunteers, but you might want to consider focusing on students and college graduates.

The 2007 National Association of Colleges and Employers (NACE) Recruiting Benchmarks Survey reports that for-profit employers recruit roughly 32% of new college hires from internship programs.

Establishing an internship program at your organization is a great way to appeal to fresh young talent eager to help you with your cause.

Strategic Relationship



Our firm has formed a strategic relationship with the Center For Non Profit Management which has been in existence since 1979. Our Managing Partner will be a selected speaker for various legal seminars which are put on by the Center. Additionally, our Firm will be on a short list of firms that represent non profits for referral. In return, our Firm will recommend that our new clients forming charities avail themselves to the many educational programs the Center offers. We really look forward to this continuing relationship!