



Utah Plumbing & Heating Contractors Association
P.O. Box 1718, Bountiful, UT 84011

January 4, 2023

UPHCA Membership

Dear

Our Association is classified as a tax-exempt organization (trade association) under IRS Code (IRC) Section 501(c)(6). In addition to providing CE Classes, Service Discounts, Educational Outreach, Networking Events, to our dues-paying members, UPHCA actively monitors the executive, legislative, and judicial agendas at all levels (city, state, and national) as they relate to our industry and interests. When we identify an issue of such importance that we feel a more direct role is required on our part in the best interest of our membership and the industry as a whole, UPHCA will act accordingly.

This means that UPHCA will, at times, take an active role in the State of Utah Legislative process and other governmental departments and agencies and other political entities through the channels available to us in order to support the industry's agenda.

Certain political activities and expenses incurred are allowable for 501(c)(6) tax-exempt organizations. However, under the Clinton administration, in the Omnibus Budget Reconciliation Act of 1993 (OBRA '93), Congress declared that taxpayers no longer would be allowed to deduct for federal income tax purposes the expenses that taxpayers incur when they engage in lobbying. Tax deductibility also is disallowed by this law for a portion of membership dues paid to trade 501(c)(6), professional and similar membership associations if the associations engage in more than minimal (\$2,000 or less) amount of lobbying.

The member dues that you pay to the Association are ordinarily fully deductible on your tax return as a business deduction. However, since UPHCA periodically engages in political and lobbying activities, it is the IRS' position that part of the dues you pay are utilized by the Association for these activities. Therefore, through the dues you pay, you are indirectly paying for a lobbying activity.

IRC Section 6033 (e) and IRS Revenue Procedure 98-19, requires 501(c)(6) organizations that "pays or incurs nondeductible lobbying expenditures to notify its members of a reasonable estimate of the portion of dues that are allocatable to those expenditures."

It is the responsibility of the Association to disclose to members the percentage of dues paid that must be excluded as a deduction from your tax returns. We have reasonably estimated the percentage to be 25% of all dues paid.

UPHCA is a 501(c)(6) tax exempt organization. EIN: 80-0184294

There is, of course, an alternative to this option.

UPHCA could opt not to provide this disclosure and incur the tax liability directly instead. It is again called a Section 6033(e) Proxy Tax on all lobbying and political expenditures and pay the tax on the expenses incurred. The problem with this is that the Association's tax liability could be quite large.

Members are able to deduct their dues in full, and as you can see from the examples above, we are talking about an almost immaterial taxable difference to the member. Therefore, the UPHCA Board and Membership has determined that disclosing the lobbying expenditures as a portion of your dues is the most responsible option, thus relieving the Association of a potentially large tax liability each year.

Our association is not in the business of providing tax advice we recommend contacting your tax adviser for questions and treatment.



David C. Hill

Executive Director