



NORTH CAROLINA HOME BUILDERS ASSOCIATION

P.O. BOX 99090 • RALEIGH, N.C. 27624-9090

PHONE (919) 676-9090 • TOLL FREE 1-800-662-7129 • FAX (919) 676-0402

www.nchba.org • www.21buildingexpo.com

2019 NCHBA OFFICERS

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Immediate Past President & NAHB

Executive Committee State Rep.

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NAHB Executive Committee

BUDDY HUGHES
Lexington, (336) 240-3097
hucon@ptmc.net

Executive Vice President

MIKE CARPENTER

MEMORANDUM

TO: All Local HBA Executive Officers and Elected Secretaries
All NCHBA Local Presidents

FROM: Mike Carpenter
General Counsel

DATE: December 18, 2019

RE: Non-Deductibility of "Lobbying Expense" Portion of 2020 NCHBA dues

Please find enclosed herewith a copy of a memorandum dated December 18, 2019, from me to the attention of all NCHBA members. I believe you will find it to be self-explanatory. In order to ensure that all current NCHBA members receive this notice, we would suggest that you include a copy of the memorandum in the next communication you make to your general membership or incorporate it in any membership renewal notice you may utilize. You may also want to reprint the highlighted notice portion of the memorandum in a conspicuous place in your monthly HBA newsletter.

As well, to ensure that members who join in the calendar year 2020 receive this notice, you may want to include a copy of the memorandum in any "new member packet" or other similar communication. This step, together with notice in your newsletter, will ensure members who join anytime in 2020 will be aware of this information.

Finally, on December 21, 2017, Congress eliminated the deductibility of local lobbying expense. If your local association engaged in local lobbying activity, you are required to notify your members what portion of your local dues are non-deductible. Also, if your local association engaged in federal or state lobbying activity (in excess of \$2,000) you must include that activity in your calculation. For more explanation, see enclosed sheet entitled "Changes to Local Lobbying Deductibility of Dues".

ENCLOSURE

Cc: Senior Officers

*EUGENE A. GULLEDGE (1964)
C. PHIL ROBINSON, JR. (1966)
*CARL W. JOHNSON (1967)
*JOHN CROSLAND, JR. (1968)
*J.M. DAUGHTRIDGE (1969)
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MIKE CARPENTER

MEMORANDUM

TO: All NCHBA Members

FROM: Mike Carpenter
General Counsel

DATE: December 18, 2019

RE: "Lobbying Expense" Portion of 2020 NCHBA Regular
and Affiliate Member Dues

In 1993, the U.S. Congress enacted the *Omnibus Budget Reconciliation Act of 1993* which contains a provision affecting trade associations like NCHBA. The act provides that for tax years beginning in 1994, taxpayers will no longer be able to deduct from their federal income taxes any portion of their association dues attributable to that association's "lobbying activities" as an ordinary and necessary cost of doing business. The law further requires us to notify you as to the percentage of your 2020 state dues that are non-deductible for calendar year 2020. We have performed the required estimated calculations and have determined that 33% of your 2020 state dues will be non-deductible as business expense on your 2020 federal taxes. Thus, we are providing you with the notice as follows:

"Dues paid to the North Carolina Home Builders Association (NCHBA) are not tax deductible as charitable contributions for income tax purposes. However, they may be tax deductible as ordinary and necessary business expenses subject to restrictions imposed as a result of association lobbying activities. The NCHBA estimates that the non-deductible portion of your 2020 dues – the portion which is allocable to lobbying – is 33%."

For a member who pays their regular NCHBA dues of \$70.00 in 2020, **33%** or **\$23.10** will not be eligible for deduction as a business expense, and **\$46.90** of the NCHBA dues may be tax deductible as an ordinary and necessary business expense. NCHBA affiliate member dues are \$5.00 so the amount not deductible is \$1.65 and \$3.35 may be deductible.

The National Association of Home Builders has made a similar calculation with respect to their portion of builder and associate 2020 dues. For 2020, NAHB has determined that 19% of their regular annual dues of \$198.00 is non-deductible. Thus, for the NAHB portion of dues \$37.62 is not deductible and \$160.38 may be deductible. NAHB affiliates dues are \$15.00 in 2020. Thus, \$2.85 is not deductible and \$12.15 may be deductible.

Please feel free to contact us if you should have any questions.

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Changes to Local Lobbying Deductibility of Dues

<https://www.nahb.org/en/members/hba-resources/government-affairs/tax-reform-resources/changes-to-local-lobbying-deductibility-of-dues.aspx>

For local associations, the new tax law eliminates the deductibility of any dues used to fund local lobbying and political activities. Local associations will be required to notify their members of the portion of their dues that are non-deductible and will also be required to report on their Form 990 their federal, state, and local lobbying expenses. This is not a requirement that can be ignored.

Starting in 1994, Congress eliminated the deductibility of most lobbying expenses, except for local lobbying. Since then, NAHB, along with state and local associations, have been required to report to our members what portion of their dues fund federal and state lobbying activities and may not be deducted. In addition, these amounts are reported on the Form 990. Local associations that engaged in federal or state lobbying, and exceeded the \$2,000 de minimis exemption, were also required report these expenses. Expenses occurred for local lobbying activities, however, remained deductible under federal law.

Effective Dec. 21, 2017, Congress eliminated the deductibility of local lobbying costs. This change requires NAHB, state associations, and local associations to determine what portion of their dues are spent on influencing legislation on the federal, state, and local levels, notify our members of this, and report the amount on the Form 990.

The IRS defines nondeductible lobbying and political expenses as:

1. Influencing legislation;
2. Participating or intervening in any political campaign on behalf of (or in opposition to) any candidate for public office;
3. Attempting to influence the general public with respect to elections, legislative matters, or referendums; and
4. Any direct communication with a covered executive branch official in an attempt to influence the person's official actions or positions.

Source: [IRS](#)

The tax code sets forth that the notification should be made either at the time of assessment or at the time of payment.

For more information on allocating lobbying costs, please consult your CPA and the relevant IRS regulations: <https://www.law.cornell.edu/cfr/text/26/1.162-28>

NAHB is providing this information for general guidance only. This information does not constitute the provision of legal advice, tax advice, accounting services, investment advice, or professional consulting of any kind nor should it be construed as such. The information provided herein should not be used as a substitute for consultation with professional tax, accounting, legal, or other competent advisers. Before making any decision or taking any action on this information, you should consult a qualified professional adviser to whom you have provided all of the facts applicable to your particular situation or question. None of this tax information is intended to be used nor can it be used by any taxpayer, for the purpose of avoiding penalties that may be imposed on the taxpayer. The information is provided "as is," with no assurance or guarantee of completeness, accuracy, or timeliness of the information, and without warranty of any kind, express or implied, including but not limited to warranties of performance, merchantability, and fitness for a particular purpose.