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CHAPTER VI
TAX CONSIDERATIONS

There are three basic taxes which may affect political organizations, candidates and contributors. These are the Federal income, estate and gift taxes. State, District, county, municipal and other local taxes may also be applicable, but are beyond the scope of this Chapter because of the large number of jurisdictions involved. Each situation must be viewed from the position of (1) the particular political organization, (2) the candidate, and (3) the individual contributor.

In the Federal income tax system, income taxes are now imposed upon certain receipts of political organizations. In addition, political candidates may be taxed upon funds or benefits which they receive. Finally, a contributor may be entitled to a credit against his income tax (or a deduction in determining his taxable income) for a portion or all of his contributions. There also may be gift or estate tax consequences to the contributor or his estate.

A word of caution is needed. Much of the Federal tax law in this field has been enacted very recently, some of it in 1975. As a consequence, there are not yet available the customary regulations, rulings and case law which often serve as guidelines, with pertinent examples, in interpreting the law.

A. Taxation of political organizations

On January 3, 1975, President Ford signed P.L. 93-625 (the "Tax Act"). The Tax Act provides that political organizations, effective for tax years after 1974, will be:

- exempt from the Federal income tax on contributions, dues and proceeds from political fund-raising activities, and
- taxable on all other income (e.g., interest income, dividend income, income from commercial activities, and gains on the sale of



[VI.A: Taxation of political organizations]

appreciated property), less certain deductions, at the normal corporate rate (currently 48%).

The Tax Act reflects Congress' determination that political activity and the financing of such activity are not appropriately subject to income tax, but that investment and business income ancillary to the political activity should be subject to tax. This new legislation extends recent Internal Revenue Service rulings which, departing from past practice, held that political organizations were taxable on investment and certain other income.

The more specific provisions of the Tax Act, in light of the stated Congressional purpose (legislative history), are discussed below.

1. What is a political organization? (26 U.S.C. §527(e))

The Tax Act and its legislative history generally provide that in order to qualify as a "political organization," the organization must be organized and operated primarily for accepting contributions and/or making expenditures for activities related to the election of candidates for public or party office. It appears that Congress intended that an organization qualifying for purposes of the income tax credit (or deduction) for political contributions should be treated as a political organization. (See section VI.C.2 infra.)

An organization, such as a party, committee, association, fund or trust, may qualify as a political organization; it may be incorporated or unincorporated and may be chartered or informally established.

The primary activity of the organization must involve directly or indirectly receiving campaign contributions and/or making campaign expenditures. It is sufficient, however,



[VI.A.1: What is a political organization]

that such activity be an indirect one. For example, a national organization accepting contributions from local organizations, or transferring money to local organizations for campaign expenditures, would be considered as indirectly accepting contributions or making expenditures, and should satisfy this requirement of a political organization.

The primary purpose of the organization must be to influence or attempt to influence the selection, nomination, election or appointment of individuals for public office or for office in a political organization. It appears that organizations whose activities are directed to primary elections would be political organizations due to the importance of a primary in the election process. The activity may be directed to the Federal, regional, State (including D.C.) or local level. Moreover, the purpose need not be exclusively political. For example, an organization could engage in incidental social activities or take a position on a ballot issue in addition to its candidate election activities and still qualify as a political organization. Furthermore, generally an organization will not lose its qualified status merely because it is less active between elections. In addition, qualification will continue after an election for purposes of winding up the affairs of the organization. Organizations whose purpose is defeating candidates may also qualify. Finally, an organization is not barred from qualifying because its candidate is unsuccessful.

"Political organization" treatment is to apply equally to: (i) funds for individual candidates, (ii) political committees supporting one or more candidates, and (iii) political party committees (national, State or local). Such various entities were treated somewhat differently from one another by the Internal Revenue Service prior to the Tax Act. The Tax Act now makes no material



[VI.A.1: What is a political organization]

distinctions among such organizations, although certain procedural distinctions (e.g., the particular form to be submitted to the I.R.S., or the particular individual who is to sign the form) may be forthcoming in Regulations promulgated under the Tax Act.

Of course, an organization or fund which is not a "political organization" does not come under the special tax rules applicable to such organizations under the Tax Act. The Tax Act is silent on such organizations, which would include, for example, a "social action organization" which is engaged in campaigning for certain ballot issues and does not have a primary purpose to influence the election of an individual or individuals. The tax treatment of such organizations is beyond the scope of this Chapter.

2. Determining the organization's income (26 U.S.C. §527(c))

In general, the political organization is taxed on an annual basis on certain income received or accrued during the year. The taxable income essentially consists of income from investments, from the sale of appreciated property, and from business activities, less a \$100 "specific deduction" and less expenses directly connected with the production of such taxable income.

A political organization's taxable income is determined by first subtracting, from all of its gross income, its "exempt function income". This exempt function income is amounts received as:

- (a) contributions of money or other property,
- (b) membership fees, dues, or assessments from members of the political organization,



[VI.A.2: Determining the organization's income]

- (c) proceeds from political fund-raising or political entertainment events, not received in the ordinary course of business, and
- (d) proceeds from the sale of political campaign materials, not received in the ordinary course of business.

The net effect of this statutory scheme is to tax to the political organization investment income (e.g., dividends and interest), gain from the sale of appreciated property and income from business activities. It should be noted that gross income can be reduced by the above-enumerated items of exempt function income only to the extent that such items of exempt function income are segregated in a separate account or in separate accounts for use only for campaign and other political organization purposes.

In addition to what is commonly recognized as a contribution, contributions would probably include filing fees paid by a candidate directly or indirectly to a political party in order that he may run in the primary or general election. In addition, funds received under the checkoff provisions or other provisions relating to public financing of campaigns are probably intended to be treated as contributions. (See Chapter V, supra.) Contributions may be made in the form of money or property, but the credit (or deduction) discussed below is available to a contributor only in the case of cash contributions. (See section VI.C.2 infra.)

Proceeds from political fund-raising or political entertainment events must arise in connection with political activities and not business activities to qualify for the exemption from tax. Examples of such political activities would include political breakfasts, receptions, picnics, dances, sporadic fund-raising events, annual political dinners, and



[VI.A.2: Determining the organization's income]

similar affairs. A fund-raising activity is not necessarily political where the activity is simply designed to permit the organization to raise funds in order to continue in operation.

Proceeds from the sale of political campaign materials must similarly relate to political and not business activities. For example, proceeds from the sale by a political organization of political memorabilia, bumper stickers, campaign buttons, posters, cookbooks and similar items would probably be excluded from the organization's taxable income where the sale is related to other political activity, such as distributing literature or organizing voters.

3. Determining the organization's deductions (26 U.S.C. §527(c))

The second and final step in determining a political organization's taxable income is to subtract certain deductions. A specific deduction of \$100 is allowed in each year. In addition, deductions are allowed for expenses directly connected with the production of the portion of gross income which is not "exempt function income". No net operating loss deduction (i.e., from net losses sustained in prior or subsequent years) is allowed. Certain special deductions for regular corporations (e.g., dividends received deduction) are not allowed; neither are deductions for indirect expenditures (e.g., general administrative expenses).

4. Tax rate and returns (26 U.S.C. §§527(b) and 6012(a))

Effective for tax years after 1974, the income tax is imposed at the normal corporate rate, currently 48%, on the political organization's taxable income (i.e., the excess of gross income over the above-enumerated exemptions and deductions). The alternative capital gains rate for corporations (currently



[VI.A.4: Tax rate and returns]

30%) may be applied to net capital gain income. The surtax exemption (resulting in a 22% rate on a corporation's first \$25,000 of taxable income) is not available.

A tax return must be filed by any political organization having any taxable income for the tax year. In essence, therefore, there is a minimum \$100 gross income cushion (the so-called "specific deduction") that must be exceeded before a political organization will be obligated to file a return. The time for filing the return, and the particular form to be used, will be specified in future Treasury Regulations.

EXAMPLE: X Political Organization in tax year 1975 receives a total sum of \$5,000 in contributions, membership dues, and proceeds from political fund-raising activities which sum is kept segregated in a separate account. X makes expenditures in the amount of \$3,000 during tax year 1975 for campaign purposes. During the course of the tax year, X receives \$125 income in the form of interest, dividends and proceeds from business activities, incurring expenses of \$10 directly connected with such income. X has taxable income of \$15, computed as follows:

Gross income	
Contributions, dues, etc.	\$5,000
Income from investments, etc.	<u>125</u>
	<u>5,125</u>
Exemptions	
Contributions, dues, etc.	<u>5,000</u>
Deductions	
Specific deduction	100
Direct expenses	<u>10</u>
	<u>110</u>



Chapter VI: Tax Considerations

[VI.A.4: Tax rate and returns]

Total: Deductions plus exemptions	<u>\$5,110</u>
Taxable income	
Gross income	5,125
Deductions and exemptions	<u>5,110</u>
	<u>15</u>

5. Other organizations (26 U.S.C. §527(f))

Certain tax exempt organizations which are not political organizations may, under existing law, engage in political activity (e.g., civic organizations operated exclusively for the promotion of social welfare) without losing their tax-exempt status. Effective for tax years after 1974, the Tax Act generally provides that for income tax purposes such organizations will be treated on an equal basis with political organizations and will be subject to tax to the extent they are operated as political organizations.

6. Newsletter funds (26 U.S.C. §527(g))

Effective for tax years after 1974, the Tax Act generally provides that funds for the purpose of operating political newsletters are to be treated as political organizations for tax purposes.

To be eligible, the individual for whose political benefit the newsletter is operated must hold, have been elected to but not yet installed or be a candidate for public office (not party office) at the Federal, State (including D.C.), or local level. Newsletter funds must be segregated in a separate account and must be used solely for the preparation and circulation of the individual's newsletter.

Providing the above conditions are met, the newsletter fund will be treated as a political organization and will be taxed only on its income from investments, the sale of appreciated property, and business activities, just as a political organization, with



[VI.A.6: Newsletter funds]

certain minor modifications. The first modification is disallowance of the \$100 specific deduction. Second, the transfer of unexpended assets of a newsletter fund to a political organization (other than a newsletter fund) will be treated as a diversion of newsletter funds for personal use of the individual for whose benefit the newsletter fund is being operated. This means that such individual must report the amount so diverted as part of his taxable income.

Under the Tax Act, a credit (or deduction) may be available to an individual taxpayer for newsletter fund contributions. Political contributions and newsletter fund contributions are aggregated for purposes of the \$50 credit or \$200 deduction (\$25 credit or \$100 deduction in the case of a separate return) on an individual's income tax return. See section VI. C.2.b infra.

B. Taxation of candidates (26 U.S.C. §§61 and 527(d))

Political campaign contributions are not, as a general rule, taxable to the political candidate by or for whom the contributions are received if they are used for political campaign expenses or other similar purposes. However, political funds diverted from the channel of political campaign activity and expended for some personal purpose of the candidate are includible in the candidate's gross income in the year of diversion.

Under the following circumstances, no such diversion will be found. First, amounts repaid to contributors are deemed neither expended nor diverted and are not includible in the candidate's gross income. Second, contributions by a candidate's political organization (other than a newsletter fund) made to (i) any other political organization, (ii) the general fund of the U.S. Treasury or of any State or local government, or (iii) any tax-exempt "public charity" are deemed campaign expenditures and are not includible in the candidate's gross income. However, contributions by a political organization to a public charity do not give rise to a charitable contribution



[VI.B: Taxation of candidates]

or other deduction by the candidate since the candidate does not realize income by virtue of the contribution to the charity.

Campaign funds would be found to be diverted to a candidate and hence taxable as income to him when used, e.g., to reduce the mortgage on the candidate's personal residence.

It should be noted that recent amendments to the Internal Revenue Code change the treatment formerly accorded political candidates in connection with contributions to and expenditures from political newsletter funds. Under certain conditions, contributions to the fund are no longer considered as income to the candidate, and expenditures by the fund are no longer considered deductible by him. (See VI.A.6 supra.)

C. Tax treatment of contributors

1. Income tax treatment of gain or loss from contribution of property (26 U.S.C. §84)

Effective for contributions after May 7, 1974, in the case of the contribution of appreciated property to a political organization, the Tax Act provides that the contributor will be taxed on the amount of his unrealized appreciation in such property. The transfer is in effect treated as a sale from which the contributor is deemed to realize income in an amount equal to the fair market value of the property as if he had sold the property. The amount of the contributor's taxable gain is the excess of this amount deemed to be realized over his basis (usually his cost) in the property. The character of the gain (capital or ordinary) is determined under the established rules relating to gain on sales of property. The basis of the appreciated property to the transferee political organization (for purposes of determining, in turn, its income from a later sale of the property) is the basis of the contributor, increased by the amount of gain deemed realized by the contributor.



[VI.C.1: Income tax treatment of gain or loss from contribution of property]

EXAMPLE: Individual A contributes property having a cost basis to him of \$600 and a fair market value of \$750 to X political organization. A realizes a gain of \$150 (\$750 realized minus \$600 basis). X has a basis in the property equal to \$750 (\$600 carry-over basis plus \$150 realized by A).

In the case of a contribution to a political organization of property having a fair market value less than the contributor's basis, the pre-Tax Act rules remain unchanged, and no loss is recognized by the contributor.

2. Individual's credit or deduction for political and newsletter fund contributions (26 U.S.C. §§41 and 218)

Generally, an individual (but not a corporation) is allowed either a Federal income tax credit against his actual tax or a deduction from his adjusted gross income in arriving at taxable income for a limited amount of political contributions and newsletter fund contributions made by him during the year.

The credit against income tax (i.e., a dollar for dollar reduction in the amount of the tax) is limited to an amount equal to one-half of the total political and newsletter fund contributions made during the individual's tax year by the individual (and/or his spouse in the case of a joint return), with a maximum credit, beginning in 1975, of \$50 in the case of a joint return (\$25 for a separate return). The credit is allowed without regard to whether the individual itemizes his deductions.

EXAMPLE: Individual A (who does not file a joint return) makes a \$10 political contribution. Before taking account of the credit, A has a tax liability of \$100. A is entitled to a credit (i.e., a reduction in tax) of \$5



[VI.C.2: Individual's credit or deduction for political and newsletter fund contributions]

(50% of the \$10 political contribution). After the credit, A's net tax liability is \$95.

EXAMPLE: Assume the same facts as immediately above, except that A contributes \$60. Since 50% of \$60 exceeds the maximum limit of \$25, A is entitled to a credit of only \$25.

Alternatively, an individual is allowed a deduction from his adjusted gross income for the amount of political and newsletter fund contributions made by him during the tax year, with a maximum deduction, beginning in 1975, of \$200 in the case of a joint return (\$100 for a separate return). This deduction is not available to individuals claiming the standard deduction (as opposed to itemizing their deductions).

EXAMPLE: Individual A (who files a separate return) makes a \$300 political contribution. A is entitled to deduct \$100 (the maximum deduction) if he itemizes his deductions.

It is to be emphasized that the credit (or deduction) is available only to individual taxpayers, not to corporations, estates, or trusts. Moreover, payment for the contribution must actually have been made within the tax year for which the contributor claims the credit (or deduction); a mere pledge or accrual of the contribution is insufficient.

a. Political contributions (26 U.S.C. §41(c))

To qualify as a "political contribution" for purposes of the credit or deduction, the contribution must be a contribution or gift of money and not other property. (Note that a contribution of property other than money to a political organization, although not



[VI.C.2.a: Political contributions]

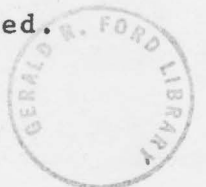
available to the contributor as a credit or deduction, could nonetheless be considered "exempt function income", not taxable to the political organization.)

In addition, the contribution must be made to one of the following:

- (1) an individual for use in furthering his candidacy for public (not party) office in a Federal, State or local election;
- (2) a candidate committee organized by or for one or more individuals exclusively for campaign purposes; or
- (3) a national committee of a national political party or such committee's designated State (including D.C.) or local committees.

Finally, contributions will not qualify unless certain additional requirements are met. In the case of contributions to an individual candidate or candidate committee, several such additional requirements are imposed:

- (1) The candidate must publicly announce his candidacy and meet the legal requirements for the office he seeks in order for the contribution to qualify. The public announcement must occur no later than the end of the year following the year in which the contribution was made.
- (2) Verification of the contribution is required. Proposed regulations provide that, ordinarily, a contributor's cancelled check will be sufficient evidence to support the credit (or deduction). However, they caution that in "appropriate"



[VI.C.2.a: Political contributions]

cases (not yet defined) a contributor may be required to provide an "authorized receipt" issued by the individual candidate or candidate committee for verification purposes. See Appendix, infra.

- (3) A special form must be filed by individual candidates and candidate committees by the end of each calendar year. These are Form 4908 (individual candidates) and Form 4909 (candidate committees). For illustration purposes, Forms 4908 and 4909 are appended. The appended forms do not reflect changes brought about by the Tax Act.
- (4) Records must be kept adequate to identify those contributions or portions of contributions (so-called "restricted amounts") which could qualify for credit or deduction (i.e., cash contributions of \$200 or less per contributor). In addition, records must be kept with regard to contributions which do not qualify for the credit or deduction (i.e., property or cash in excess of the amount eligible for credit or deduction).
- (5) Expenditures of restricted amounts (see (4) supra) must be exclusively for campaign purposes.
- (6) It should be noted that under proposed regulations a "candidate committee" excludes organizations in the nature of "political action groups" which engage in significant activities other than furthering the candidacy of one or more candidates.

The additional requirements in the case of contributions to political party



[VI.C.2.a: Political contributions]

committees are imposed through restrictive definitions of those committees eligible for special treatment. Contributions to political party committees must fall within one of the following three categories to qualify as "political contributions" eligible for the credit (or deduction). First, the contribution may be to a national committee of a "national political party," which is defined to be:

- (1) in the case of contributions made during a tax year of the contributor in which the electors of the President and Vice President are chosen, a political party presenting candidates or electors for such offices on the official election ballot of ten or more States (including D.C.), or
- (2) in the case of contributions made during any other tax year of the contributor, a political party which met the above qualifications in the last preceding election of a President and Vice President.

Second, the contribution may be to the State committee designated by the national committee of such a national political party as the State level party committee. Third, the contribution may be to a local committee designated by such a State committee as the local level party committee. It should be noted that the term "State" includes D.C. and that "local" means all or part of a political subdivision of a State, or two or more political subdivisions or parts thereof of a State.

Contributions to individual candidates, candidate committees and political party committees often take the form



[VI.C.2.a: Political contributions]

of the purchase of tickets to a political dinner or function. Proposed Treasury (I.R.S.) Regulations provide that such purchases will qualify for the credit (or deduction) if the dinner or function is clearly in the context of the campaign of a candidate. If the political dinner or function is primarily a device to confer private benefits (such as a meal or entertainment) upon the individual contributor, the proposed regulations provide that only the excess of the amount paid over the fair market value of the dinner or other entertainment may be claimed as a credit (or deduction). It has been ruled that amounts paid for a raffle ticket, whether or not incorporated in the price of the dinner or other function, are not deductible (and hence would not qualify for the credit).

Treasury guidelines caution that those soliciting contributions should refrain from misleading contributors by stating categorically that the contributions will give rise to a credit or deduction without indicating that all political contributions (along with newsletter fund contributions) by the individual for the year must be aggregated before applying the limitations upon the amount of his credit or deduction.

b. Newsletter fund contributions (26 U.S.C. §41(e))

As in the case of political contributions, to qualify as a "newsletter fund contribution" for purposes of the credit (or deduction), the contribution must be a contribution or gift of money and not other property. (Note that a contribution or gift of property other than money, although not available to



[VI.C.2.b: Newsletter fund contributions]

the contributor as a credit or deduction, could nonetheless be considered "exempt function income", not taxable to the newsletter fund.) In addition, the contribution must be to a fund established and maintained by an individual who (i) holds office, (ii) has been elected to office but not yet installed, or (iii) is a candidate for nomination or election to office, where the office is a public (not party) office at the Federal, State (including D.C.) or local level. Moreover, the contribution must be for exclusive use in the preparation and circulation of such an individual's newsletter. Finally, the credit (or deduction) is allowed for newsletter fund contributions only for tax years after 1974.

Interpretative regulations have not yet been issued with regard to newsletter fund contributions. Additional requirements (e.g., as to filing of forms and returns, record keeping, and verification of contributions) may well be imposed by the Internal Revenue Service in view of its position in connection with political contributions, discussed above.

3. Indirect contributions (26 U.S.C. §276)

Contributions to political organizations may be disguised as apparent business or other expenses. To discourage such indirect political contributions, the Internal Revenue Code prohibits the deduction of such expenses in connection with certain activities.

To this end, otherwise deductible business or other expenses are not deductible for the following:

- a. advertising in the convention program of a political organization,



[VI.C.3: Indirect contributions]

- b. advertising in any publication the proceeds from the operation of which inure to the benefit of a political organization or candidate,
- c. admission to dinners or programs the proceeds of which inure to the benefit of a political organization or candidate,
- d. admission to inaugural celebrations or similar events identified with a political organization or candidate.

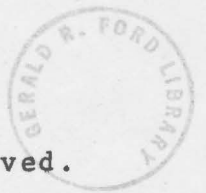
Individual (not business) expenses in connection with political dinners, inaugurations and other functions are, of course, deductible under the limitations discussed above (see section VI.C.2 supra).

Business expenses incurred in connection with bringing a political convention to a particular area are generally deductible, providing the amount of the expenditure is reasonable in relation to the financial return to be expected from convention-associated business.

It should be noted that recent amendments to the Internal Revenue Code change the tax treatment formerly accorded expenditures for advertising in a convention program of a convention held for the purpose of nominating candidates for the President and Vice President of the United States. Such expenditures were formerly treated as deductible under certain circumstances. Effective with respect to tax years of contributors beginning after 1974, such expenditures are no longer deductible.

4. Worthless debts (26 U.S.C. §271)

Generally, in the case of a taxpayer other than a bank, no deduction is allowed by reason of the worthlessness of any debt owed by a political party, political organization



[VI.C.4: Worthless debts]

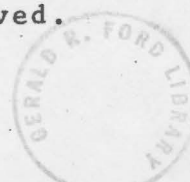
or other organization organized for the purpose of influencing or attempting to influence the election of Presidential or Vice-Presidential electors, or the election of any individual for Federal, State, or local elective public office. The Regulations state that it is immaterial that the debt may have arisen as a result of services rendered or goods sold. For example, it has been held that no deduction is allowed an advertising agency when it writes off as a bad debt an amount due from a political organization in connection with services rendered.

In the case of a bank, regulations provide that no deduction is allowed unless the debt was acquired in accordance with its usual commercial practices.

In the case of a debt of a nonpartisan political group, regulations provide that deductions are not disallowed so long as its efforts are not directed towards the election of a particular candidate or the candidates of a particular party (or parties).

5. Gift and estate tax treatment of political contributions (26 U.S.C. §2501)

Departing from past I.R.S. practice, recent amendments to the Internal Revenue Code generally provide that contributions of money or other property to political organizations are not subject to the gift tax, effective with regard to contributions made after May 7, 1974. Imposition of the gift tax was thought to be inappropriate due to the restrictive effect of such a tax on the making of political contributions. It should be noted that no deduction is allowed from a person's gross estate, for estate tax purposes, for amounts contributed to a political organization as beneficiary of the estate.



[VI.C.5: Gift and estate tax treatment of political contributions]

D. Conclusions

As was pointed out in the introduction to this Chapter, the tax treatment of politically oriented income, deductions and credits is in a state of flux. Because of the recent vintage of much of the pertinent tax legislation, and the dearth of definitive regulations, rulings and case law, application of the general rules enumerated above to specific situations may be hazardous.

In the interest of promoting a better understanding of this subject on the part of everyone, it would be helpful if specific questions and problems were referred to the issuer of this manual. As new questions and problems are considered and resolved and as definitive regulations and guidelines become available, it is contemplated that this Chapter will be revised from time to time so that it will be reasonably current and of maximum help to those concerned.



APPENDIX

Tax Checklists

I. Political organization checklists

Checklist A - To Qualify as "Political Organization"

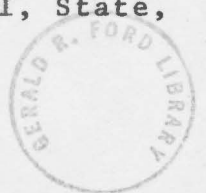
1. Establish segregated fund in separate account for campaign receipts and expenditures.
2. Operate primarily by making expenditures and/or accepting contributions to influence election of candidate(s) for public (Federal, State, D.C. or local) or party office.
3. File income tax return if any taxable income for year (See Checklist B, infra).
4. To assure contributor an income tax credit (or deduction), see Checklist D, infra.

Checklist B - To Determine Taxable Income of "Political Organization"

1. Determine gross income from all sources.
2. Subtract amounts received as contributions, dues, proceeds from fund raising (excluded as exempt function income).
3. Deduct \$100 specific deduction and expenses directly connected with the production of that portion of gross income not subtracted under "2" above.
4. File an income tax return (the IRS will prescribe the form to be used) if organization has taxable income, i.e., if gross income ("1" above) exceeds the sum of the exclusions ("2" above) and deductions ("3" above).

Checklist C - To Qualify as Newsletter Fund

1. Establish segregated fund in separate account.
2. Accept contributions and make expenditures exclusively for newsletter purpose.
3. Operate on behalf of individual holding, elected to, or candidate for public (not party) office at Federal, State, D.C. or local level.



4. File income tax return if any taxable income (determined under Checklist B, items 1-4) as in the case of a political organization except no specific deduction of \$100.

Checklist D - Action Required by Political
Organization to Enable Contributors to
Obtain Income Tax Credit (or Deduction)

1. File Form 4908 (individual candidate funds) or Form 4909 (candidate committees) with the IRS (Attachments A and B, respectively). No such filing requirements for political party committees.

2. Consider issuing special "authorized receipt" (optional) to contributor (Attachment C). No receipt requirement for political party committees.

3. Keep records of contributions.

4. Spend contributions which are eligible to qualify for the credit (or deduction) exclusively for campaign purposes.

II. Tax Checklist for contributors

1. Contributions to qualify for credit (or deduction) must be in money (not other property).

2. Contributions to qualify for credit (or deduction) must be to (i) individual candidate, (ii) candidate committee, or (iii) local, state or national committee of national political party.

3. Limitation on credit of \$50 (\$25 if separate return), on deduction of \$200 (\$100 if separate return).



Form **4900**

(Rev. Oct. 1973)

Department of the Treasury
Internal Revenue Service

Declaration of a Candidate for Public Office*

Receiving Political Contributions Qualifying for Credit or Deduction

For the year ending December 31, 19.....

Name of candidate

Social security number

Residence address (Number and street)

*This form does not reflect changes

City, State, and ZIP code

made by the recent Tax Act.

Part I General

- 1 Specify the year(s) of the nomination and (or) election:
- 2 The election is for the office of:
- 3 Such office is: ☐ Federal, ☐ State, or ☐ Local.
- 4 If not a Federal office, specify the particular State or locality of such office:

Part II Declarations

A. I will maintain records sufficient to identify the calendar year of any contributions and the portion of each such contribution which constitutes a restricted amount. For purposes of this Part II, a restricted amount is (1) any contribution by an individual taxpayer in an amount of \$100 or less, (2) \$100 of any contribution by an individual taxpayer greater than \$100, or (3) so much of any contribution received from a campaign committee which was a restricted amount in the hands of such committee. The calendar year of a contribution is the year in which such contribution was originally made by an individual contributor.

B. I will not expend restricted amounts except (1) in conformity with Treasury regulations and (2) to further my candidacy, which was (or will be) publicly an-

nounced by the end of the year for which this declaration is made.

C. I will maintain and preserve records relating to such contributions received and such expenditures made for a period of four calendar years after the calendar year in which such contributions were received, or expenditures made, if later.

D. I will observe the requirement of Treasury regulations with respect to unexpended restricted amounts.

E. I agree to make my records available to the Internal Revenue Service, if requested, and to file with, or otherwise furnish to the Internal Revenue Service, such further information as it may require.

F. I understand that if this declaration contains false, fraudulent, or fictitious statements, the criminal penalties of 18 U.S.C. 1001 may apply.

Under penalties of perjury, I declare that I have examined this declaration, and to the best of my knowledge and belief it is true, correct, and complete.

Sign
Here

Signature of candidate

Date



Signature of authorized agent if not signed by candidate

Title

Date

Instructions

Internal Revenue Code sections 41 and 218 provide for the claiming of limited credits or deductions by taxpayers for contributions to political candidates or campaign committees. These credits or deductions are allowed only in the taxable year paid and for payments of money made after December 31, 1971. For further information, see TIR-1145 and the Regulations.

Limitations on Credits and Deductions.—The credit will be available only in an amount equal to one-half of a contributor's total contributions to all candidates and committees or \$12.50 (\$25 on a joint return), whichever is less. The alternative deduction will be available only to the extent that his total contributions to all candidates and committees do not exceed \$50 (\$100 on a joint return). The credit or deduction will be allowed only if

such political contributions are verified in such manner as prescribed by Treasury Regulations.

CAUTION: Candidates and campaign committees should be careful not to mislead donors by stating categorically that their contributions will give rise to a credit or deduction. Prior contributions to other candidates or committees may have exhausted the credit or deduction which a contributor may claim.

Who Must File.—Every candidate for public office must file a Form 4908 and every campaign committee (other than a national, State, or local committee of a national political party) must file a Form 4909 in each year in which contributions are received in order for such contribu-

tions to be eligible for credit or deduction by the donor.

When to File.—Forms 4908 and 4909 must be filed on or before December 31 of each year for contributions received during such calendar year.

Identifying Number.—Individuals

enter social security number; committees enter employer identification number. If you do not have an employer identification number for the committee, apply for one from your Internal Revenue Service Center on Form SS-4, available from any Internal Revenue or Social Security Administration district office.

Where to File

If your legal residence, principal place of business, office, or agency is located in

Use this address

New Jersey, New York City, and counties of Nassau, Rockland, Suffolk and Westchester	Internal Revenue Service Center 1040 Waverly Avenue Holtsville, New York 11799
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center 310 Lowell Street Andover, Massachusetts 01812
District of Columbia, Delaware, Maryland, Pennsylvania	Internal Revenue Service Center 11601 Roosevelt Boulevard Philadelphia, Pennsylvania 19155
Alabama, Florida, Georgia, Mississippi, South Carolina	Internal Revenue Service Center 4800 Buford Highway Chamblee, Georgia 30006
Michigan, Ohio	Internal Revenue Service Center Cincinnati, Ohio 45298
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Internal Revenue Service Center 3651 S. Interregional Hwy. Austin, Texas 78740
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center 1160 West 1200 South Street Ogden, Utah 84201
Illinois, Iowa, Missouri, Wisconsin	Internal Revenue Service Center 2306 E. Bannister Road Kansas City, Missouri 64170
California*, Hawaii*	Internal Revenue Service Center 5045 East Butler Avenue Fresno, California 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Internal Revenue Service Center 3131 Democrat Road Memphis, Tennessee 38110

If you have no legal residence or principal place of business in any Internal Revenue district, file with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155.

* California and Hawaii returns filed before December 1, 1973, should be sent to Internal Revenue Service Center, 5045 East Butler Avenue, Fresno, California 93730.



Form **4909**
(Rev. Oct. 1973)
Department of the Treasury
Internal Revenue Service

Declaration of Campaign Committee *

Receiving Political Contributions Qualifying for Credit or Deduction

For the year ending December 31, 19.....

Full official name of committee

Employer identification number

Address (Number and street)

*This form does not reflect changes by

City, State, and ZIP code

the recent Tax Act.

Part I General

- 1 Specify the year(s) of the nomination(s) and (or) election(s):
- 2 The election(s) is (are) for the office(s) of:
- 3 Such office(s) is (are): ☐ Federal, ☐ State, or ☐ Local.
- 4 If not a Federal office, specify the particular State or locality of such office(s)

Part II Declarations

A. This committee will maintain records sufficient to identify the calendar year of any contributions and the portion of each such contribution which constitutes a restricted amount. For purposes of this Part II, a restricted amount is (1) any contribution by an individual taxpayer in an amount of \$100 or less, (2) \$100 of any contribution by an individual taxpayer greater than \$100, or (3) so much of any contribution received from another campaign committee or an individual candidate for public office which was a restricted amount in the hands of such other committee or individual candidate for public office. The calendar year of a contribution is the year in which such contribution was originally made by an individual contributor.

B. This committee will not expend restricted amounts except (1) in conformity with Treasury regulations and (2) to further candidacies of publicly announced candidates who have (to the best of our

knowledge), by the end of the calendar year of the contribution, properly filed Form 4908.

C. This committee will maintain and preserve records relating to such contributions received and such expenditures made for a period of four calendar years after the calendar year in which such contributions were received, or expenditures made, if later.

D. This committee will observe the requirement of Treasury regulations with respect to unexpended restricted amounts.

E. This committee agrees to make its records available to the Internal Revenue Service, if requested, and to file with, or otherwise furnish to the Internal Revenue Service, such further information as it may require.

F. This committee understands that if this declaration contains false, fraudulent, or fictitious statements, the criminal penalties of 18 U.S.C. 1001 may apply.

Under penalties of perjury, I declare that I have examined this declaration, and to the best of my knowledge and belief it is true, correct, and complete.

Sign
Here



Signature of officer or authorized agent

Title

Date

Instructions

Internal Revenue Code sections 41 and 218 provide for the claiming of limited credits or deductions by taxpayers for contributions to political candidates or campaign committees. These credits or deductions are allowed only in the taxable year paid and for payments of money made after December 31, 1971. For further information, see TIR-1145 and the Regulations.

Limitations on Credits and De-

ductions.—The credit will be available only in an amount equal to one-half of a contributor's total contributions to all candidates and committees or \$12.50 (\$25 on a joint return), whichever is less. The alternative deduction will be available only to the extent that his total contributions to all candidates and committees do not exceed \$50 (\$100 on a joint return). The credit or deduction will be allowed only if

such political contributions are verified in such manner as prescribed by Treasury Regulations.

CAUTION: Candidates and campaign committees should be careful not to mislead donors by stating categorically that their contributions will give rise to a credit or deduction. Prior contributions to other candidates or committees may have exhausted the credit or deduction which a contributor may claim.

Who Must File.—Every candidate for public office must file a Form 4908 and every campaign committee (other than a national, State, or local committee of a national political party) must file a Form 4909 in each year in which contributions are received in order for such contribu-

tions to be eligible for credit or deduction by the donor.

When to File.—Forms 4908 and 4909 must be filed on or before December 31 of each year for contributions received during such calendar year.

Identifying Number.—Individuals

enter social security number; committees enter employer identification number. If you do not have an employer identification number for the committee, apply for one from your Internal Revenue Service Center on Form SS-4, available from any Internal Revenue or Social Security Administration district office.

Where to File

If your legal residence, principal place of business, office, or agency is located in

Use this address

New Jersey, New York City, and counties of Nassau, Rockland, Suffolk and Westchester

Internal Revenue Service Center
1040 Waverly Avenue
Holtsville, New York 11799

New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Internal Revenue Service Center
310 Lowell Street
Andover, Massachusetts 01812

District of Columbia, Delaware, Maryland, Pennsylvania

Internal Revenue Service Center
11601 Roosevelt Boulevard
Philadelphia, Pennsylvania 19155

Alabama, Florida, Georgia, Mississippi, South Carolina

Internal Revenue Service Center
4800 Buford Highway
Chamblee, Georgia 30006

Michigan, Ohio

Internal Revenue Service Center
Cincinnati, Ohio 45298

Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas

Internal Revenue Service Center
3651 S. Interregional Hwy.
Austin, Texas 78740

Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming

Internal Revenue Service Center
1160 West 1200 South Street
Ogden, Utah 84201

Illinois, Iowa, Missouri, Wisconsin

Internal Revenue Service Center
2306 E. Bannister Road
Kansas City, Missouri 64170

California*, Hawaii*

Internal Revenue Service Center
5045 East Butler Avenue
Fresno, California 93888

Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia

Internal Revenue Service Center
3131 Democrat Road
Memphis, Tennessee 38110

If you have no legal residence or principal place of business in any Internal Revenue district, file with the Internal Revenue Service Center, 11601 Roosevelt Boulevard, Philadelphia, Pennsylvania 19155.

* California and Hawaii returns filed before December 1, 1973, should be sent to Internal Revenue Service Center, 5045 East Butler Avenue, Fresno, California 93730.



ATTACHMENT C

Form of Authorized Receipt*

SAMPLE RECEIPT - INDIVIDUAL CANDIDATE

I, John Doe, of Illinois, in connection with my campaign for nomination and election to the U.S. Senate in 1973:

(1) Acknowledge receipt during 1973 of \$ _____
from _____ and

(2) Declare that Internal Revenue Service Form 4908 was or will have been properly filed before the end of this calendar year, and that the undertakings in such form will be observed.

John Doe

SAMPLE RECEIPT - CAMPAIGN COMMITTEE FOR NAMED CANDIDATE

The Illinois Committee for John Doe, for the nomination and election of John Doe to the U.S. Senate in 1972:

(1) Acknowledges receipt during 1972 of \$ _____
from _____ and

(2) Declare that Internal Revenue Service Form 4909 was or will have been properly filed before the end of this calendar year, and that the undertakings in such form will be observed.

The Illinois Committee for John Doe

By _____
Authorized Agent

