

Political Giving 101

Some basic guidelines about the types of organizations and giving restrictions.

What is a 501 C(3)?

IRS Section 501(c)(3) is the section of the tax code that defines nonprofit, tax-exempt organizations that engage in religious, scientific and other charitable activities. Contributions to 501(c)(3) organizations are tax-deductible. While a 501(c)(3) organization is absolutely prohibited from conducting any political activity on behalf of or in opposition to a candidate for political office, it may still engage in activities such as non-partisan voter registration, issue education, and GOTV.

Examples of 501(c)(3) organizations include the Roosevelt Institution and ProgressNow.org.

What is a 501 C(4)?

IRS Section 501(c)(4) is the section of the tax code that defines nonprofit organizations that are active in lobbying (working to create or change law). Many 501(c)(4)s are connected with 501(c)(3)s. Contributions to 501(c)(4)s are not tax-deductible and may, depending on the circumstances of the donor, subject the donor to gift tax. These nonprofit “social welfare” organizations may support or oppose legislation and conduct political activities, subject to federal and state campaign finance laws, as long as those activities are not the organizations primary activity. For example, a 501(c)(4) may endorse federal candidates and communicate these endorsements to its FEC qualified members. It is also possible for a 501(c)(4) to publish a voter guide so long as it does not expressly advocate the election or defeat of a candidate.

Some 501(c)(4) organizations are so-called “qualified nonprofit corporations” (QNC). A QNC may make independent expenditures expressly advocating the election or defeat of a candidate using corporate treasury funds. These expenditures must be made independently from any candidate or political party and must be reported to the Federal Election Commission, but are not subject to limits.

Examples of progressive organizations with 501(c)(4)s include The Bus Project and Latinos for America.

What is a 527?

527s are a broad class of political organizations whose primary purpose is to influence elections. 527 organizations that engage in express candidate advocacy (i.e. running ads or communicating in a manner that advocates the election or defeat of specific federal candidates) must register with the FEC and are subject to contribution limits and reporting requirements. However, 527 organizations that do not expressly advocate for or against federal candidates, but instead take positions on issues and communicate where candidates stand on those issues, are not currently required to register with the FEC and may accept unlimited contributions. These 527s are required to register and report to the IRS individual contributions to 527s are not tax-deductible and are not subject to gift tax.

Examples of 527s active in progressive politics include Campaign for California’s Future and Drinking Liberally.

What are federal Political Action Committees (PACs)?

A federal PAC is a particular type of 527 organization that is set up to make direct or in-kind contributions to particular candidates or campaigns or to make expenditures for the benefit of these campaigns. Contributions to PACs are regulated by the FEC, subject to contribution limits and are not tax deductible. An individual may contribute no more than \$5000 per year to a PAC. Federal PACs must report all contributions and disbursements to the FEC.

Examples of Federal PACs: Democracy for America, Progressive Democrats of America, and the Indian American Leadership Institute.

	501(C)(3)	501(C)(4)	527	PAC	Political Parties	Federal Candidate Committee
Tax deductible?	Yes	No	No	No	No	No
Able to endorse candidates/positions?	No	Yes*	no	Yes	Yes	na
Able to expressly advocate election or defeat?	No	No**	No	Yes	Yes	Yes
Hard vs. Soft money?	Soft	Soft	Soft	Hard	Hard	Hard
Individual Contribution limit?	None	None	None	\$5000 per PAC per year subject to aggregate limit on all federal contributions (see below)	\$26,700 per federal party committee and \$10,000 per state party committee subject to the aggregate limit	\$2100 per election (primary & general)/ subject to aggregate limit on all federal contributions(see below)t

*Subject to restrictions. **Exception for QNC's discussed above

What is a political party?

A political party is an organization that works to elect government officials and promote the party. The DNC can raise and spend hard dollars in support their various activities including supporting candidates. Individuals can contribute up to \$26,700 per year to a federal political party committee and up to \$10,000 per state party, subject to other limits described below. There are other opportunities to contribute to state party committees that will be discussed in future reports. Contributions to political parties are not tax-deductible.

What is a candidate committee?

A candidate committee is the official campaign of a candidate for federal office, such as Kerry for President. Federal candidates include those running for President, U.S. Senate, and U.S. Congress. An individual may contribute up to \$2100 for the primary election and \$2100 for the general election for a total of \$4200 per committee. There is also a two-year aggregate limit of \$40,000 for an individual making contributions to all federal candidates.

What are the new federal contribution limits?

Contributions directly to candidates, parties, and PACs are subject to the following limits:

- You can give up to a total of \$101,400 per two year election cycle to federal PACs, party committees, and federal candidates.
- Your contributions to 501C3, 501c(4)s and 527s do not count against the \$101,400 limit.
- You can give no more than \$5,000 to any single federal PAC per year. The aggregate limit for federal PAC (and state party) donations is \$40,000 per two-year cycle.
- You can give no more than \$26,700 per year to any one national party committee and no more than \$10,000 to any one state or local party committee. There are other opportunities to give to state parties that are not discussed in this report.
- An individual may contribute \$2100 for the primary election and \$2100 for the general election to a federal candidate committee for a total of \$4200 per committee. Some states have runoffs that are also separate elections. There is also an aggregate limit of \$40,000 for contributions to federal candidates.

What party committees are included under the federal aggregate limit?

There are three national party committees that are included in the federal aggregate limit: The Democratic National Committee (DNC), the Democratic Senatorial Campaign Committee (DSCC), and the Democratic Congressional Campaign Committee (DCCC). The Republican Party has similar committees. An individual may contribute up to \$26,700 per committee. There is also an aggregate limit of \$61,400 per biennial period.

What is soft versus hard money?

When people use the term soft money, they are generally referring to the unlimited contributions made to 501 C(3)s, 501 C(4)s, or 527s. The term hard money is usually referring to contributions that are included under the \$101,400 federal limit (contributions to candidate committees, party committees and PACS). The usage of these terms changes from year to year. In general, hard money can be used for any election purpose, including paying for advertisements expressly advocating the election or defeat of a candidate. Soft money can generally not be used for activities that advocate voting for or against candidates, but it can be used for GOTV, issues education, advertisements advocating issues positions and/or supporting or criticizing candidate's positions on issues, performance in office, etc.

Does McCain Feingold affect donations I make to local and state candidates?

Generally not. McCain Feingold applies to candidates running for federal office – President, U.S. Senate, and U.S. Congress. State and local governments decide campaign finance laws for state and local races. However, McCain Feingold does limit the amount of federal money you can give to a state party at \$10,000 per year. With some exceptions, a state party must use federal money to fund its efforts to assist federal candidates. Non-federal donations that fund a state party's efforts on state and local races are governed by state law.