Keeping Track of Your Money

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Presented by:
Christine Oster
Keeping Track of Your Money

As officers, treasurers, or even a concerned club member, you must master the basics of your business. The business is politics.

Here are your business basics that will be covered in this handout.

You and your board must carry out the following tasks:

1. Review and approve an annual budget
   - Receive and review monthly, quarterly, and yearly financial records and reports
   - Report any financial irregularities, concerns and opportunities
   - Oversee short and long term investments
2. Insist on an annual independent or committee audit
3. Determine insurance requirement
4. Know what records to retain and pass on and when to destroy
5. Know privacy acts regarding credit cards and storage
6. Computer records and protection
7. Inventory club property
8. Know your tax status and requirement
9. Know your relationship to the FEC, IRS and RNC

As important as these tasks are, they are meaningless if you do not take the time to read and understand the information contained in this document. Thoroughly examining financial information will help you better:

1. Measure the organization’s efficiency
2. Evaluate the adequacy of financial resources
3. Monitor your financial trends
Budget

As you have seen from the NFRW budgets – as well as from your own households – budgeting is really a simple, though painstaking and, yes – often a BORING task.

**How to start**

- Begin with a canned budget.
  - There are many of these on the internet. Go to google and type in “small business budgets” and “how to” and you will get an array of budget types from which to choose.
  - At the end of this handout is a list of several web sites that have information you might find handy;

- Tailor the categories to suit your club or state as well as to provide the information you think you will need.
  - Make your categories detailed enough to provide useful information, but not so detailed that you become bogged down in trivial details.

- Go through your checkbook or bills and enter them into your worksheet.

- Add any income.

- For each expense category, try to determine a budget amount that realistically reflects your actual expenses while setting targeted spending levels.

- Keep track of cash expenditures through the month; total and categorize them.

- Subtotal the income and expense categories.

- Subtract the expenses from the income to arrive at your net income.

- If the number is negative, your expenses are greater than your income.

- If they are positive (Congratulations) you have money to save or spend on a worthwhile project.

- Update your income and expenses monthly.

- Reconcile your checkbook monthly.

*Keep in mind that Budget is not a dirty word. It is nothing more then a set of guidelines for your spending and savings habits to make your organization work more efficiently and effectively for you.*
**Guidelines for using your budget:**

- Accept the learning curve
- Be conservative when setting up a budget
- Be prepared to miss your budget estimates and act accordingly
- Work flexibly…your budget is a guideline
- Watch your cash flow. Monitor your income closely to make certain you will have adequate income to match your bills.
- Make sure you have a cash reserve for emergencies
- Use your budget as a form of restraint, not constraint.

*People always ask what financial software systems I recommend. The real answer is it doesn’t matter. Just use one with which you are comfortable.*

*NFRW uses Quickbooks. For clubs, you could use Quicken (around $50). Any spreadsheet program, such as EXCEL, can also fit your needs.*
## Sample Budget

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Budget</th>
<th>Plus/Minus</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Meeting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraiser</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Convention</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Office Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer Supplies</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Postage</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Board Meeting</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Income Total_________
- Expense Total_________
= Net Income_________


Audit

- You may have an outside Audit of your books or have an internal audit committee.
- This should be done yearly and after an officer’s term ends.
- Audits are done to protect an organization.
- Following your audit, a report should be given to the board and membership.
- The primary function of an audit is oversight and to see that bylaws, finances, and any other legal considerations are accurate.
- The audit must review the organization’s accounting and reporting controls as well as the financial statements.

Insurance

There is no umbrella policy for our clubs or states. You must assess you own needs for liability and Director’s and Officer’s insurance. These needs are highly individual so I won’t cover it here. Please talk to me if you have any questions.
Record Retention

I recommend having a written policy on record retention and transference. Incorporate it with the bylaws and minutes. The policy should address what types of records are deemed permanent or temporary. Then establish a systematic retention and destruction policy. In most cases the statute of limitation for auditing a properly filed return is 3 years. This statute does not expire for a return not filed.

Permanent Items

- Bylaws and standing rules, originals along with dated copies of each revision/tax returns/charters;
- Original articles of incorporation, determinations of tax-exempt status;
- Audited/reviewed annual financial statements;
- Membership lists and records;
- Bookkeeping journals and ledgers;
- Employee personnel records;
- Staff pension records;
- Minutes of board meetings should be in a running minute book;
- Financial policies/guidelines;
- Historical records (archives);
- Property titles, liens, and evidence of their removal;
- Purchases and sale of assets;
- Year-end investment statement;
- Notes receivable and notes payable;
- Membership applications;
- Chart of accounts;
- Income tax payments;
Here is a suggested retention schedule for other papers

<table>
<thead>
<tr>
<th>Item</th>
<th>7 years</th>
<th>5 years</th>
<th>3 years</th>
<th>1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leases and Property titles (expired)</td>
<td>X</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Petty cash vouchers &amp; expense</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cancelled checks and bank statements</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget and Financial Reports</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll records</td>
<td></td>
<td></td>
<td>X</td>
<td></td>
</tr>
<tr>
<td>Cancelled paychecks</td>
<td></td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax records (W-2, W-9, 1099)</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Organizational Budgets</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Financial Forecasts</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Expired insurance Policies</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Equipment Purchase</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Deposit slips</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Bills rendered</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Receipted Bills</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Treasurer’s reports</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>General correspondence</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Anything that is used to compile</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a basis for filing 1120-POL</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Membership billings</td>
<td></td>
<td></td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

Basic storage and retrieval of non-accounting records such as correspondence, including email, mailing and member lists, event brochures and solicitations for members and contributions is often overlooked. Current technology can provide a cost saving alternative by scanning and storing documents in electronic formats. However, when storing records in an electronic format, you must make them available to the IRS with a copy of the software so they can process it.
Credit Card Privacy

Make it simple on yourself.

Do not keep the credit card numbers; shred them as soon as they are processed. If you must keep them, keep the first 4 and last 4 numbers. The holder of the card becomes the keeper of their own credit card identity.

Computer Records

Have a written record of what to save and how to save it. Back up your files and keep a copy in a safe place. It cannot be stressed enough to keep your virus protection up to date as well as updating your operating system.

Inventory Club Property

You should inventory your club property every year.

Helpful web sites:

www.google.com and type in whatever you want to know.
www.sba.gov
www.microsoft.com/small business/resources
www.moneyadvise.com
IRS Reporting and Record Keeping for NFRW

One of the basic responsibilities of the local unit or state federation treasurer is the maintenance of the books. They are responsible for making and recording all deposits and withdrawals from the accounts. They also issue meeting reports that indicate the balances on hand. However, the treasurer needs to be aware that IRS and FEC reporting and recordkeeping rules have changed substantially over the past two years and will continue to evolve. (If you have any question or concerns please contact the NFRW or one of the agencies listed at the end of this section).

We are not officially an arm or affiliate of the RNC (Republican National Committee) and therefore fall under an entirely different set of rules then they do (the relationship with your state party may be different; they may not be your best source of advice). Believe it or not, we are not classified as a qualified “political entity;” we are exempt from paying taxes on our political activity, but not our investments (should your club be so lucky as to have them).

The NFRW is considered by the IRS to be a 527 political organization. We and our clubs are not PACS, non-profits, or anything else on the National level (some states are required to be state Pacs…these will not be addressed as those laws are different for each state).

Form SS-4

Your club must have an EIN number.

All state federations and unit clubs must file for a Federal Tax ID number, known as the Employer Identification Number (EIN). All political organizations must have their own EIN even if they do not have any employees. Due to the tax consequences, do not use your personal social security number. Simply fill out the SS-4 form, sign it, and return it to the IRS. Without such a form, a state federation or club will not be able to establish a checking account. This number will be valid for the life of your organization. At no time should the state federation or club use a social security number for the organization’s business. A club, state federation, or ancillary group cannot use the NFRW tax ID number.

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1 This section was compiled by Christine Oster, the Internal Revenue Service, Mike Lerche CPA, Williams & Jensen NFRW FEC Attorney, and Peacock, Condum, Anderson & Co. CPA. Revised September 2007.
Generally, political organizations like NFRW clubs and federations are exempt from federal income tax for most purposes, but not on investment or business income or on any gain from the sale of an asset. Contributions to the organization are not deductible.

Types of Club Income which are Non-Taxable

A club or federation does not have to apply to the IRS for exempt status as a political organization (unless it meets the new reporting standards beginning on page 8) and automatically qualifies for exemptions on the following types of income:

- A contribution of money or other property.
- Membership dues, fees, or assessments received from club members.
- Proceeds from a political fundraising or entertainment event.
- Proceeds from conducting bingo games (if bingo is not a commercial activity in the state and does not violate local or state law).
- Proceeds from the sale of political campaign materials.

Some Specific Examples of Non-Taxable Income (“Exempt-Function Income”):

- Proceeds received from sporadic political breakfasts, dinners, receptions, picnics, and dances.
- Proceeds from the sale of political items such as memorabilia, bumper stickers, campaign buttons, posters, hats, shirts, stationery, jewelry, or cookbooks. (The sale must be closely related to another political activity, such as distribution of political literature or organization of voters, and cannot be in the regular course of a trade or business.)

What is Taxable Income?

Taxable income generally includes income that is not directly related to the organization’s political activities and would include income in the regular course of trade or business. Examples of taxable income are interest, dividends, rents, and capital gains. Therefore, some clubs’ income may be taxable, and if so, a club would be taxed on its net non-exempt income as if it were a corporation. However, a club is not subject to tax and need not file a return unless its taxable income exceeds its allowable deductions by more than the $100.00 specific deduction.
Political organizations must report any gain on property contributed to it and later sold. Such gain (which is the difference between the sale proceeds received and the fair market value on the date the property was contributed) is considered taxable income.

There is also no federal income tax deduction available for donations by an individual to an NFRW club or federation.

Please check with your state GOP headquarters as to additional regulations since most states follow federal guidelines in regulating income tax. Generally, where there is a federal tax liability, there is also a state income tax liability.

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**Is Income Received for Political Work by Federation Members Taxable?**

Political workers must report on their tax returns any compensation they receive. Technically speaking, even reimbursements for personal expenses, such as travel, are reportable income.

Wages paid to political employees (club or federation staff members) are subject to withholding of income tax, Social Security, and FICA and FUTA taxes. Employers must provide such employees with W-2 forms by January 31st of each year. In addition to these federal tax requirements, a political organization may have various employer obligations at the local or state level. Therefore, clubs and state federations should become familiar with such state laws in your area.

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**Internal Revenue Reporting and the New 527 Law**

Who is covered by the new law?

*The new law affects most 527 organizations, so named because they were exempt from income tax under section 527 of the Internal Revenue Code. Virtually all political organizations are 527 organizations.*

The IRS provides for several types of tax-exempt groups, including public charities, trade associations, business leagues, and foundations. Section 527 of the IRS Code defines yet another type of tax-exempt organization known as a political organization. This includes principal campaign committees, newsletter funds of elected officials and candidates, and separate segregated funds established by exempt organizations (such as a trade association) for political purposes. The most common type of Section 527 political organization is what is commonly referred to as a political action committee, or PAC. PACs are often organized to contribute directly to candidates for federal office and, as such, are required to register with the Federal Election Commission and report their receipts and disbursements. The amount an individual can contribute to this type of registered PAC is limited to $5,000 per year, and corporate contributions are prohibited.
An organization that does not contribute to federal candidates, or that does not otherwise advocate the election or defeat of specific federal candidates, is also considered a Section 527 organization if it carries on “non-federal” political activities. Non-federal activities include issue advocacy, get-out-the vote drives, and other similar types of activities that do not advocate any specific candidate’s election or defeat. These 527 organizations are NOT required to register with the FEC, and there are no limits on the amount an individual may contribute to this type of organization. In addition, corporate contributions may be accepted and are also unlimited. Contributions, however, are not tax deductible.

Basically, the following filing requirements apply to those political organizations that wish to be tax-exempt political organizations and receive or expect to receive $25,000 or more in gross receipts in any taxable year. Nearly all association-related political organizations will fall under the classifications below:

- FEC political committees, state or local candidate committees, or state or local committees of a political party
- Qualified state or local political organizations
- Caucuses or associations of state or local officials
- Any other political organization, including federal, state, and local political organizations*

*This is the category under which the NFRW, StateFRW, and Clubs fall.

What has changed and why?

In the past, unless a political organization fell under the rules of the Federal Election Campaign Act (FECA) by making contributions to candidates for federal office, it did not have to disclose any information to the IRS or the public about its contributors or political expenditures. Certain segments of the public became concerned with the rapid growth of these organizations and perceived abuses of the political disclosure system, such as when funds were used for so-called “issue ads” that obviously favored a particular candidate during an election.

Beginning July 1, 2000, political committees that are NOT required to register with the FEC, but are otherwise considered 527 organizations are required to register with the Internal Revenue Service. Existing 527 organizations were required to register by July 31, 2000. A 527 organized after July 1, 2000 has 10 days to register. If an existing organization fails to register by the July 31 deadline, it will be taxed on its income that would otherwise be exempt. Another reporting form that most political organizations must file is an Exempt Organization Return (Form 990). In addition, the filing requirements are expanded for Form 1120-POL, the U.S. Income Tax Return for Certain Political Organizations.
Registration: Form 8871—Political Organization Notice of 527 Status

In general, any political organization that is not registered with the FEC is required to register with the IRS UNLESS the organization does not expect to have gross receipts of $25,000 during the taxable year. At any time during the year, if gross receipts exceed $25,000, the organization must register within 10 days and thereafter will have to file the required disclosure form (8871). Newly formed organizations must file within 24 hours of the date on which the organization is established. In order to register, an organization must file Form 8871 with the IRS electronically on the IRS’ website.

The penalties for failure to file timely Form 8871 are draconian. The organization will not be treated as an exempt organization until the form is filed, and therefore must report any contributions received as taxable income. In addition, all political expenditures would be nondeductible. This could result in the assessment of penalties and interest.

Disclosure: Form 8872—Political Organization Report of Contributions and Expenditures

Every 527 organization that accepts a contribution or makes a political expenditure must file Form 8872, except for an organization that is not required to file Form 8871, a state or local committee of a political party, or a political committee of a state or local candidate. The IRS will make Form 8872 available for public inspection, as must the organization itself during regular business hours.

At certain times during the year, disclosure reports will have to be filed with the IRS on Form 8872. The report asks for information related to the organization’s receipts and disbursements. Specifically, the organization must disclose the name, address, occupation, and employer of anyone who contributes at least $200 to the organization during the reporting period. In addition, the organization must also disclose the name, address, occupation, and employer (if applicable) of any organization or individual who was paid more than $500 during the reporting period. An explanation of what the expenditure was for is required.

Any Form 8872 due after June 30, 2003 must be filed electronically if the filing organization has or expects to have contributions OR expenditures of more than $50,000 during the calendar year. If not qualified as above, Form 8872 may be mailed.

During non-election years (i.e., when there is no federal election), an organization may choose to file its disclosure reports either monthly or semiannually. During an election year, additional reports may be required both prior to and after the general election. For other calendar years, the organization can choose between semiannual or monthly reporting.
Form 990 or 990EZ: Return of Organization Exempt From Tax

Prior to the new law, 527 organizations were not required to file Form 990. Unless excepted, a tax-exempt political organization must file an exempt annual information return if it has gross receipts of $25,000 or more for the taxable year ($100,000 for QSLPOs). Form 990 is due the 15th day of the fifth month after the end of the organization’s fiscal year. If you have gross receipts of $25,000 and less than $100,000 with assets less then $250,000 you may file Form 990-EZ. Over $100,000 you must file Form 990. If $5,000 or more is received from any one contributor a Form 990 Schedule B must be filed.

The penalty for failure to file Form 990, or a failure to include required information, is $20 a day for every day such failure continues. If the organization has gross receipts exceeding $1 million, then this penalty is increased to $100 a day. The maximum penalty, however, is $50,000.

Disclosure Requirements:

Tax-exempt section 527 organizations must make their forms (other than Form 1120-POL) publicly available for inspection and copying at their principal place of business. The IRS also posts Form 8871 and Form 8872 on its web site at www.irs.gov/polorgs

Form 1120-POL -- U.S. Income Tax Return for Certain Political Organizations

This category has changed several times and it has now (since November 2002) reverted back to the rules prior to 2000 which are:

- Political organizations are only required to file Form 1120-POL when taxable income is greater than $100.
- For political organizations, taxable income is gross income less exempt function income over directly related deductions.
- Form 1120-POL is due the 15th day of the third month after the end of the organization’s fiscal year.

The penalties for failure to file, or a failure to include required information, are the same as those described for Form 990.
**Who Has to File?**

The filing requirements in the chart below apply to those political organizations that:

- Wish to be exempt from federal income tax provisions, and
- Receive or expect to receive $25,000 or more in gross receipts in any taxable year.

<table>
<thead>
<tr>
<th>IF YOU ARE A</th>
<th>YOU FILE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal political committee, state or local candidate committee or state or local committee of a political party</td>
<td><em>Form 1120-POL</em></td>
</tr>
<tr>
<td>Qualified state or local political organization (QSLPO)*</td>
<td><em>Form 8871; Form 1120-POL; and Form 990 or Form 990-EZ</em></td>
</tr>
<tr>
<td>Caucus or association of state or local Officials*</td>
<td><em>Form 8871; Form 8872; Form 1120-POL</em></td>
</tr>
<tr>
<td>Any other political organization, including other federal political organizations and other state or local political organizations</td>
<td><em>Form 8871; Form 8872; Form 1120-POL; and Form 990 or Form 990-EZ</em></td>
</tr>
</tbody>
</table>

*An organization may be both a QSLPO and a caucus or association of state or local officials. If so, it is not required to file Form 8872 AND Form 990.*

**NOTE: If you are:**

- A political organization that is not tax-exempt, or
- A tax-exempt political organization that does not have gross receipts of at least $25,000

You must file Form 1120-POL if you have taxable income after taking the $100 specific deduction for any taxable year.
When Do You File?

<table>
<thead>
<tr>
<th>Form</th>
<th>When Filed</th>
<th>Exceptions to Filing requirement</th>
</tr>
</thead>
</table>
| 8871    | Within 24 hours of establishment or within 30 days of any material change, including termination | • Organization that does not seek tax-exemption;  
• Political committee required to report to the FEC;  
• Campaign committee of state and local candidates;  
• State or local committee of political parties; and  
• Organizations that reasonably expect annual gross receipts to always be less than $25,000. |
| 8872    | At organization’s option, quarterly, semiannually or monthly, on same basis for entire calendar year (see form instructions for detailed information) | • Any organization excepted from Form 8871 filing requirement (see above); and  
• Qualified state or local political organizations (QSLPO). |
| 1120 POL| Due the 15th day of the 3rd month after the close of the taxable year       | • Political organization with no taxable income after taking the $100 specific deduction.         |
| 990 or 990EZ | Due the 15th day of the 5th month after the close of the taxable year    | • Any organization excepted from Form 8871 filing requirement (see above); and  
• Caucus or association of state or local officials. |
The Difference Between Non-Profit and Tax-Exempt Status

There is much confusion about state and club status.

1. Non-profit status refers to incorporation status under state law.
2. Tax-exempt status refers to Federal income tax exemption under the IRS Code.

As a political organization, NFRW is a 527 organization. We do not file to be a 527. It is what we are by virtue of our structure. National’s exception is the Pathfinder Fund, which is incorporated separately and files 501(c) (3). We file 1120- POL and 990. There are some club and state exceptions where they are required to be a PAC.

We do not qualify for non-profit mail privileges or deductions on personal income tax for contributions.

Important Phone and Email contacts:

Internal Revenue Service
http://www.irs.gov (SS-4 Form)
Phone: (check your local phone book)

Federal Election Commission
999 E Street NW
Washington, DC 20463
800-424-9520
http://www.fec.gov (Form 8871/8872)

Questions about the filing requirements may be directed to the Tax Exempt and Government Entities Customer Service toll free number 1-877-829-5500.

NFRW Headquarters 703-548-9688
Finance Director mail@nfrw.org
BCRA and the NFRW

Guidelines for Club Involvement in Federal Races

This memorandum outlines permissible financial activity and reporting requirements with regard to political activity by clubs. It attempts to answer several questions that have been posed since the Supreme Court upheld the Bipartisan Campaign Reform Act (BCRA) in December of 2003.

This memorandum is not exhaustive of all the issues that may arise for your members. Any club and/or individual should be advised that they may always contact the Federal Election Commission directly with any questions they may have regarding federal candidates. Information Specialists at the FEC will answer questions without requiring a caller to identify him or herself. The telephone number is (202) 694-1100.

A. Contributions:

Candidates may be invited to club meetings and receptions and make appeals for contributions of time and money, as long as the attendees are all club members. All personal contributions of money can be given by individuals directly to an established candidate or a party committee. Such contributions should always be made by check. As long as the money does not pass through the club treasury, no reporting is required. Corporations cannot contribute to federal candidates.

If a club also has established a PAC, then it can always solicit its members for contributions to its PAC. If the PAC is registered with the FEC, then the PAC can contribute to candidates for federal office as long as it complies with the contribution limits. If the PAC also wants to contribute to state and local candidates, it probably can do that as well, however, it may have to also register in the state where it is contributing and file reports with the state election agency.

Clubs may not raise money generally and then divide it amongst its members so that each member is the one donating the money to the candidate. This would violate federal law that precludes contributing in the name of another. State law may differ; however, most states also preclude this type of activity.

Any activity that benefits a federal candidate generally has to be paid for with “federally-permissible” funds, which means that a club that accepts corporate contributions could not pay for that particular activity since corporate contributions to federal candidates are illegal. Please note that accepting corporate contributions includes monetary

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2 A PAC that has qualified as a “multi-candidate” PAC can contribute up to $5,000 per election per candidate. A PAC that has not qualified as a multi-candidate PAC can only contribute up to $2,000 per election per candidate until it qualifies. There is no overall limit on the number of federal candidates a PAC can contribute to.
contributions as well as in-kind contributions. If a club does not accept corporate contributions, then it can spend a limited amount of money on federal candidates. However, once a club (that does not accept corporate contributions) spends $1,000 on a federal candidate or candidates, then it is required to register as a political committee with the FEC and file regular reports of its activity. Under federal law, once that $1,000 threshold is reached, the club becomes a PAC.

The exception to this rule for clubs that do accept corporate contributions is when a club is “communicating” only with its members. So if the GOTV activity that a club is considering will only involve the club’s membership, then the club may fund that GOTV event, even if it involves the appearance of a federal candidate. The flipside of this, however, is that if a club that accepts corporate contributions is considering holding a GOTV event that involves the entire community or non-members of the club, then it cannot pay for that activity out of its club account. This has always been the law and is not a result of BCRA.

If a GOTV activity is for a state candidate where there is no federal candidate on the ballot, then state law will apply to that activity and must be researched separately depending on where the club is located. If the GOTV activity involves a state candidate on the November 2004 ballot, for example, then the rules outlined above still apply because that GOTV activity is considered to ultimately benefit federal candidates.

Again, if a club’s GOTV activity involves a federal candidate, or even a slate of candidates that includes a federal candidate, then it cannot pay for that GOTV activity with corporate dollars. The club may want to consider opening a separate, “federal” account and only deposit contributions/donations from individuals into that account in order to pay for these types of GOTV activities. Remember, if you place an advertisement for a candidate you may need to include a disclaimer at the bottom of the ad indicating who paid for it.

**Contributions to federal candidates can only come from individuals, from PACs registered with the FEC, or from partnerships.** Corporations are prohibited from contributing to federal candidates. Every state law is different as to who may contribute to candidates running for state or local office. Some states allow corporate contributions, some do not. So a club should check with its local state election agency or with the party committee to see whether, on the state and local level, corporate contributions are permitted.

**B. Activities:**

Funding and publishing a newsletter, brochure, or sample ballot is allowed as long as the club is distributing it to its membership only. If it wants to distribute the materials beyond its membership and if the materials include a federal candidate, then a club that accepts corporate contributions cannot pay for those materials. If a club had a PAC, then it could pay for those materials from that PAC account. However, any activity including the publication and distribution of materials that “advocates” or promotes a candidate would be considered a contribution and thus the PAC would have to make sure its costs for publishing and mailing such a piece did not exceed its contribution limits.
If the materials are only for a state candidate, then again state law will apply and would have to be researched separately. If the state is one that allows corporate contributions, then a club that accepts corporate contributions could publish these materials, again keeping in mind the contribution limits.

A club can certainly organize a Republican-only GOTV program or forum as long as the audience consists of the club’s members only. If the activity is nonpartisan, then the club can open it up to whomever it wishes. The same is true of a GOTV program. If the GOTV program is nonpartisan – i.e., it does not advocate the election or defeat of any candidate or support any particular party – then the club can pay for it and is not restricted to including only its membership.

C. **Having Said All That, What is Permissible?**

Clubs may organize volunteers to staff telephones banks, conduct registration drives, and distribute campaign literature. Federal and most state campaign reporting laws only require reports to be filed for monetary contributions and in-kind gifts other than personal services, so volunteering is an activity that should not get a club in trouble.

Clubs can offer to perform a variety of tasks for the local, district, and/or state Republican committees, including assistance in fund raising projects sponsored by these established party committees. The Party committees have to file reports of these activities, but the clubs do not.

D. **Reporting Requirements:**

If fund raising and contributions by local clubs are limited to state and local races, federal reporting is not required. However, it will be necessary to determine and comply fully with the state election laws.

If clubs choose to financially participate in federal elections, the following must be observed. First and foremost, it should be remembered that federal candidates cannot accept contributions from corporations, only from individuals or from political action committees that are registered with the Federal Election Commission!

If a club contributes a total of less than $1,000 to all federal candidates in a calendar year, it will not be necessary to file with the Federal Election Commission; however.

If a club anticipates raising or spending more than $1,000 to benefit federal candidates, it will be necessary to establish itself as a federal political committee and to strictly comply with the federal election campaign laws. A number of publications can be obtained from the Federal Election Commission, 999 E Street, NW Washington, DC 20463 to facilitate compliance with these laws and regulations.
Also, clubs should be aware that a contribution from a state federation or local club could affect their particular state committee’s legal limits. This is based upon party rules in each state, and will vary from state to state. Therefore, it is recommended that legal counsel be consulted prior to contributing to federal candidates.

E. Conclusion:

There are no short cuts to compliance with federal and state election campaign laws and regulations. This is an area of political expertise that should only be entered into after careful consideration by all concerned. The commitment should be made at the outset that compliance with applicable laws is a standard of behavior that will not be breached, regardless of the desirability of winning.

Because of the intricacies involved with federal reporting, state federations and local clubs may want to restrict their involvement in federal races to the “non-reportable” activities described above in Section C. If a club has income that it would like to see used in federal races, another avenue is to give such funds to a reporting organization, such as a state committee, for use in its federal fund (assuming the club does not accept corporate contributions), or a club could organize a PAC of its own that registers with the FEC and files reports as required.