

# Political Action Committees (PACs) and non-profit fundraising 101

A guide to the rules and regulations for political advocacy groups

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**Producer**

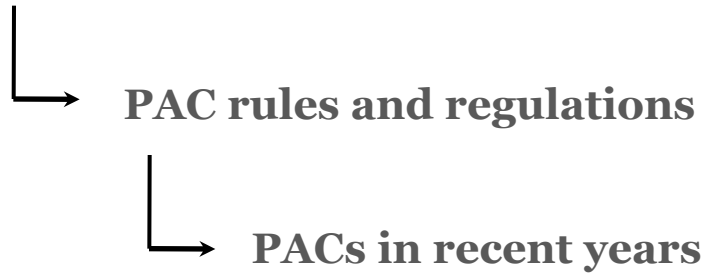
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### What are the different types of political advocacy groups?



Sources: text goes here (e.g. Harry Potter, “Aurors and the upcoming election,” The Daily Prophet, October 2, 2016.) Enough for three lines but you can expand **up** if necessary

# Key terms

## Political Action Committees (PACs)

### Traditional PAC

Raises and spends monetary contributions for the purpose of electing or defeating candidates; has strict contributions limits, but is allowed to coordinate with candidates

### Super PAC

Independent political action committees that make no direct contributions to candidates or political parties, but can accept unlimited contributions to run campaigns on the behalf of a candidate or party

### Hybrid PAC

Maintains one account for contributions to candidates that functions like a regular PAC, and a separate account for independent expenditures which functions like a Super PAC

# Key terms

## Non-profit status groups

### 501(c)(4) Groups

Tax-exempt nonprofit organizations that can shield their donors but cannot have political aims as their primary purpose

### 527 Group

Tax-exempt groups that can be entirely political but must disclose donors; cannot expressly tell voters how to cast ballots

- PACs and non-profit advocacy groups are not mutually exclusive; often, organizations will have one arm that is a Super PAC and one that is a non-profit; for example, American Crossroads is a super PAC affiliated with Crossroads GPS
- The bottom line: **501(c)(4) groups are able to shield their donors** but must have a primary purpose that is not political; **527 groups and PACs can be primarily political** but must disclose donors; **regular PACs are allowed to coordinate with candidates** but can accept only limited contributions

Sources: Phillip Elliott, "A Guide to Political Money: Campaigns, PACs, Super PACs," PBS, April 21, 2015; Robert Yoon, "Your Guide to Political Committees on the Campaign Trail," CNN, January 28, 2015.

# Different types of advocacy groups attract different organizations

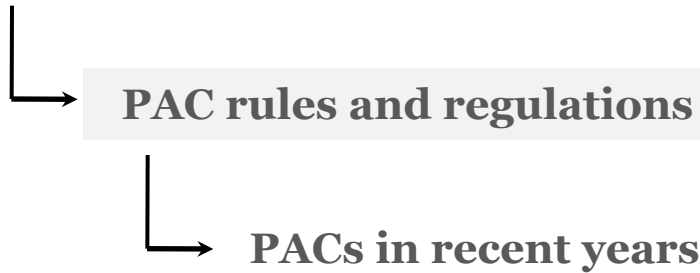
Examples and most common types of different advocacy groups

Advocacy group	Most common types of groups	Examples
Traditional PACs	<ul style="list-style-type: none"> <li>• Business-related PACs</li> <li>• Labor-represented PACs</li> <li>• Ideological interest PACs</li> </ul>	<ul style="list-style-type: none"> <li>• Chevron Employees PAC</li> <li>• National Rifle Association PAC</li> <li>• Microsoft PAC</li> </ul>
Super PAC	<ul style="list-style-type: none"> <li>• Business-related super PACs</li> <li>• Labor-represented super PACs</li> <li>• Ideological interest super PACs</li> <li>• Individual super PACs</li> </ul>	<ul style="list-style-type: none"> <li>• Right to Rise (Jeb Bush)</li> <li>• Priorities USA (Barack Obama and Hillary Clinton)</li> </ul>
501(c)(4) Non-profit	<ul style="list-style-type: none"> <li>• Civic leagues</li> <li>• Social welfare organizations</li> <li>• Local associations of employees</li> </ul>	<ul style="list-style-type: none"> <li>• Crossroads GPS (Karl Rove)</li> <li>• Organizing for Action (Barack Obama)</li> <li>• National Organization for Marriage</li> <li>• League of Women Voters</li> </ul>
527 Non-profit	<ul style="list-style-type: none"> <li>• Interest groups</li> <li>• Unions</li> <li>• Associations of elected officials</li> </ul>	<ul style="list-style-type: none"> <li>• NextGen Climate Action</li> <li>• Swift Boat Veterans for Truth</li> </ul>

Sources: Phillip Elliott, "A Guide to Political Money: Campaigns, PACs, Super PACs," PBS, April 21, 2015; Robert Yoon, "Your Guide to Political Committees on the Campaign Trail," CNN, January 28, 2015; Center for Responsive Politics, 2015; National Journal Research, 2015; The Center for Public Integrity, November 2015.

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# Different types of advocacy groups have distinct benefits and limits

## Advocacy groups and their regulations

	Contribution limit	Must disclose donors?	Can coordinate with candidate?	Can be primarily political?	Can expressly tell voters who to vote for?	Regulator
<b>Traditional PACs</b>	\$5,000 per year	✓	✓	✓	✓	FEC 
<b>Super PAC</b>	Unlimited	✓	✗	✓	✓	FEC 
<b>501(c)(4) Non-profit</b>	Unlimited	✗	✗	✗	✗	IRS 
<b>527 Non-profit</b>	Unlimited	✓	✗	✓	✗	FEC 

Sources: Bloomberg Politics, July 31, 2015; OpenSecrets.com: Center for Responsible Politics.

# How to start a PAC

## 1. Define the PAC



- Determine the PAC's **name**
- Select a **treasurer**; this is the only position the FEC requires, and the treasurer is responsible for complying with FEC guidelines
- If the PAC is connected to a corporate entity, the formal corporate name the association must be included in the PAC's name

## 2. Establish a form of governance



- PACs usually create **oversight bodies** comprised of representatives from different stakeholders among membership
- Others choose to designate a **CEO** with broad authority

## 2. Establish the PAC



- Open a **checking account** for the PAC
- File a **Statement of Organization** with the FEC
- If the PAC is independent from any outside organization: register within 10 days of raising or spending more than \$1,000 by filing an FEC Form 1, Statement of Organization
- If the PAC is connected to a corporation, trade association or labor organization: register by filing an FEC Form 1 upon formation
- If the PAC is a super PAC or hybrid PAC: register within 10 days of raising or spending more than \$1,000 by filing an FEC Form 1, and submit a letter to identify the PAC as a super or hybrid PAC
- After this step is complete, a PAC may begin **fundraising**



# PAC solicitations and expenditures

## 1. PAC solicitations



- PACs must be funded with voluntary contributions of up to **\$5,000 a year** (unless it is a super PAC)
- Although any US citizen may contribute to a PAC, PACs connected to an association can only solicit donations from **individuals associated with the PAC** or connected or sponsoring organizations of the PAC

## 2. PAC reports and expenditures



- PACs are required to deposit checks and **file reports** with the FEC on a regular basis in a **timely manner**
- At first, regular PACs can make contributions of up to **\$2,500** per election to federal candidates (super PACs can raise unlimited funds but cannot coordinate with federal candidates)
- After six months, if a regular PAC has received contributions from 51 people, and given to 5 candidates, it can give candidates up to **\$5,000** per election
- Regular PACs also can contribute to political parties and other PACs, but an association may not solicit other PACs for contributions or vice versa

# Corporate sponsors can fund administrative costs

## 1. Administrative costs and compliance



- In order to function, PACs need to spend money in addition to the money they spend on political candidates and causes
- **Administrative and solicitation costs** include bank fees, letterhead, legal and accounting costs, and transportation costs associated with hand-delivering a PAC check

### Connected PACs

Connected to a sponsor organization or corporation

- The corporate sponsor may use general treasury funds to pay all of the administrative and solicitation costs for the PAC
- Connected PACs must include the name of their sponsors in their official PAC names

### Independent PACs

Not connected to any sponsor

- If the PAC is independent, it must be sure that it is able to consistently afford its administrative costs through donations

# What does a PAC treasurer do?

## Treasurers



- On the Statement of Organization form, PACs must designate a treasurer
- Treasurers are **legally responsible** for committee recordkeeping and reporting, and for making sure all donations are legal
- Only treasurers may **sign FEC reports**
- Treasurers also authorize all expenditures by the PAC
- If a treasurer learns of illegal or improper donations, it is the treasurer's job to **return the donation**
- Treasurers are only subject to personal liability for a PAC's legal violations if they are found to be **willingly or recklessly responsible**

## Assistant treasurers

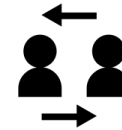


- A committee cannot spend or raise any money in the absence of a treasurer
- PACs should designate an assistant treasurer on the **Statement of Organization form** so that someone is ready to fill the role if the treasurer resigns or is unavailable

### Tips for choosing a treasurer

- The treasurer is a central role for the organization; choose someone loyal and responsible
- The treasurer should have a familiarity with financial recordkeeping and management
- Often company employees are chosen as treasurers for corporate PACs

## Changing treasurers



- Committees must report a change in treasurer **10 days in advance** by filing an amended Statement of Organization
- Alternatively, a treasurer can resign by informing the FEC directly by letter or by filling out Form 99

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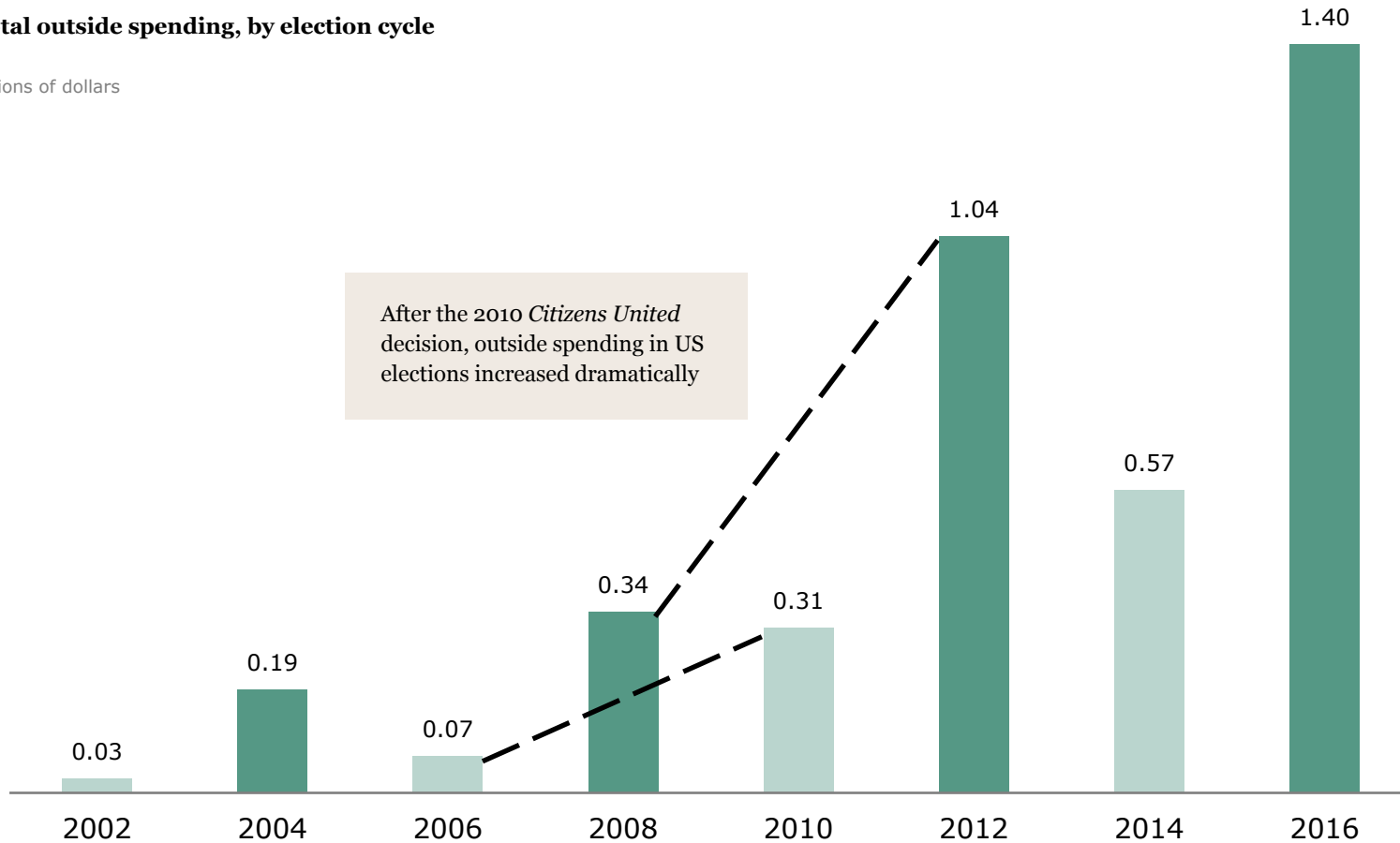
└─→ PAC rules and regulations

└─→ PACs in recent years

# Spending by PACs is on the rise






Total outside spending, by election cycle

Billions of dollars



Sources: OpenSecrets.

# Super PACs are blurring the lines with campaigns

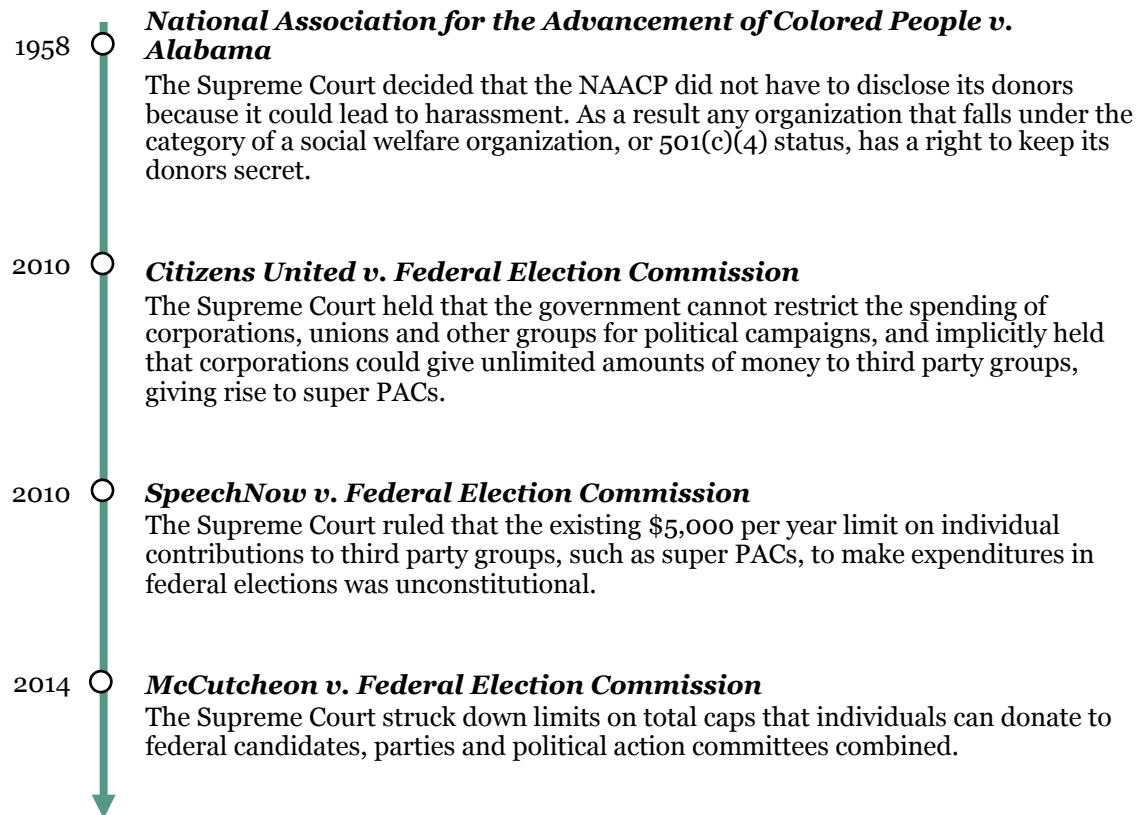
How are they pushing the limits?	How are they getting away with it?	Example
 <p>Organizing events for candidates</p>	<p>Candidates are posting their schedules freely and super PACs are attending and inviting many others to the “event”</p>	<p>Bobby Jindal’s super PAC, Believe Again, held 53 town hall meetings with voters in Iowa</p>
 <p>Having similar names to the actual campaign</p>	<p>Candidate names cannot be used in the names of super PACs, so some have made it an acronym to get around the rule</p>	<p>In June 2016, Carly for America renamed itself to CARLY and America, which stands for Conservative Authentic Responsive Leadership for You and America</p>
 <p>Using film of candidates for commercials</p>	<p>Non-members can get away with this as long as they are filmed before they announced their candidacy</p>	<p>Jeb Bush’s super PAC, Right Rise, filmed him for a commercial before he announced his candidacy</p>
 <p>Posting videos online</p>	<p>Free online content is exempt from campaign finance regulations</p>	<p>Correct the Record used its social media sites to post content defending Hillary Clinton</p>
 <p>Bringing candidates to fundraisers</p>	<p>Candidates can attend the fundraiser as long as they don’t solicit unlimited contributions</p>	<p>Ted Cruz attended a fundraiser for a group of super PACs in the summer of 2016</p>

- Super PACs and campaigns cannot coordinate freely, so instead both have started to become creative with coincidental collaborations
- Many of the instances of candidates and super PACs pushing the limits have not been challenged, but if other candidates view this behavior as inappropriate and a violation of rules, there may be investigations

Source: Adam Wollner, “10 Ways Super PACs and Campaigns Coordinate, Even Though They’re Not Allowed To,” National Journal, September 27, 2015

# Supreme Court decisions have shaped the capabilities of advocacy groups

## Timeline of Supreme Court decisions relating to campaign finance

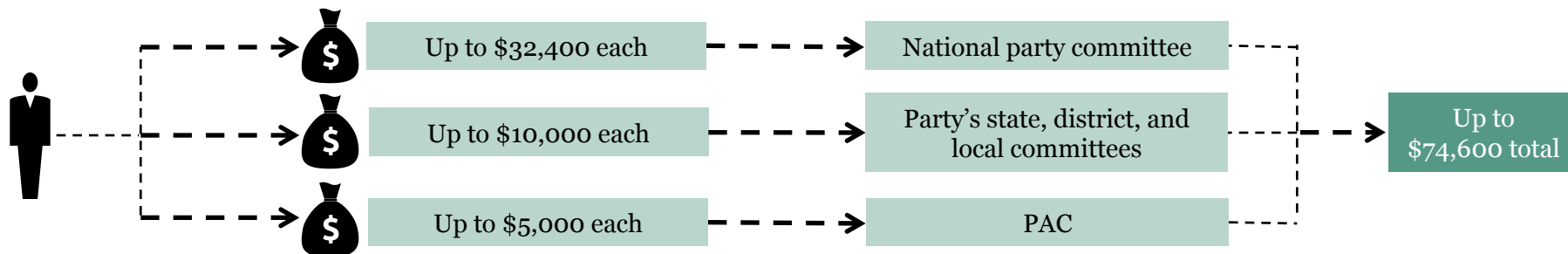


Source: Emma Schwartz, "The Rules That Govern 501(c)(4)s," Frontline, October 30, 2012; Fred Wertheimer, "Citizens United and Contributions to Super PACs: A Little History Is in Order," Huffington Post, February 21, 2012; Beth Rowen, "Campaign-Finance Reform: History and Timeline," Infoplease.

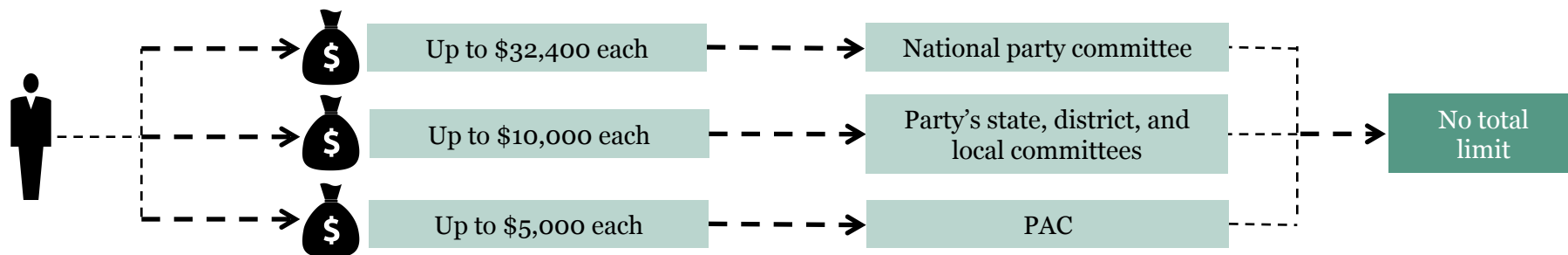
# Post-McCutcheon, individuals can donate to unlimited party committees and PACs

Individual donation rules before and after *McCutcheon v. FEC*

*Before McCutcheon*



*After McCutcheon*



Source: Chris Cillizza, "What McCutcheon Means – in 1 Infographic," The Washington Post, April 2, 2014.