

POLITICAL ACTIVITY

A 501(c)(3) organization is absolutely prohibited from participating in any political campaign at all levels, national, state and local. Political intervention includes candidate endorsements, contributions to political campaign funds, public statements of support or opposition to candidates, distributing information/pamphlets, etc. made by others in support or opposition to candidates and any other similar activities that is in support or opposition of candidates.

A 501(c)(6) organization is not prohibited from engaging in political campaign activities. However, such activity cannot be a substantial part of the organization's activities and certainly not its primary activity. Such political activity is subject to tax at the highest corporate rate and is applied to the lesser of the organization's net investment income or the total amount of expenditures for political activities. Organizations can avoid the tax by establishing a PAC.

The Federal Election Campaign Act (FECA) prohibits campaign contributions by corporations and trade associations are included in that prohibition. FECA does permit corporations to establish and administer a separate segregated fund known as a Political Action Committee, or PAC, whose only purpose is to make political contributions. The establishment of a PAC does not allow the corporation to use its own funds for contributions but it does allow all the expenses other than contributions to be paid from the organization's own funds. Some of the expenses that can be paid by the organization would be legal and accounting fees to establish and operate the PAC, rent, utilities, postage and printing, and salaries of PAC employees. Additionally, the organization would completely control the PAC with respect to its income and expenses and can determine who will be solicited by the PAC and which candidates will be supported.

Political activity rules should not be confused with legislative activity (lobbying) rules. Lobbying is any attempt to influence legislation and exempt organizations have differing rules depending on its exempt classification.