

The 527 Reform Act

Under the Internal Revenue Code, a 527 group is defined as an organization “organized and operated primarily” to influence elections (or the appointment of individuals to non-elective office). The Federal Election Commission (“FEC”), however, has failed to apply existing federal campaign finance laws to require that 527 groups spending money to influence federal elections register as federal political committees and comply with federal campaign finance laws, including the limits on the contributions they may receive.

As a result, both Democratic-leaning and Republican-leaning 527 groups spent tens of millions of dollars in soft money to influence the 2004 federal elections. A number of 527 groups did not register as federal political committees and spent soft money on ads attacking and promoting federal candidates. Other 527 groups did register as federal political committees but claimed that under FEC rules they could spend as much as 98 percent soft money on partisan voter drive activities for the purpose of influencing the 2004 federal elections.

The 527 Reform Act is designed to clarify and reaffirm that such 527 groups are required to comply with federal campaign finance laws. The bill would:

- Require 527s groups to register as political committees with the FEC and comply with federal campaign finance laws, unless they raise and spend money exclusively in connection with non-federal candidate elections, or state or local ballot initiatives, or the nomination or confirmation of individuals to non-elected offices, such as judicial positions.

Under this requirement, 527 groups registered as political committees and subject to federal campaign finance laws can use only federal hard money contributions to finance ads that promote or attack federal candidates, regardless of whether the ads expressly advocate the election or defeat of the candidate.

Any 527 group with annual receipts of less than \$25,000 is exempt from the requirement to register as a political committee and comply with federal campaign finance laws.

- Establish that when a 527 group registered as a federal political committee makes expenditures for voter mobilization activities or public communications that affect both federal and non-federal elections, at least 50% of the costs of such activities would have to be paid for with Federal hard money contributions.
- Provide that with regard to the non-federal funds that can be used to finance a portion of voter mobilization activities and public communications that affect both federal and non-federal elections, such funds must come from individuals only and must be in amounts of not more than \$25,000 per year per individual donor.

This is similar to the provision in the Bipartisan Campaign Reform Act of 2002 that places a limit on the size of a non-federal contribution that can be spent by state parties on activities affecting both federal and non-federal elections. \$25,000 is the same amount that an individual can contribute to a national political party. An individual can give only \$5,000 per year to a federal political committee to influence federal elections.

The 527 Reform Act provides that it applies only to 527 groups and that nothing in the Act will have any effect on determining whether 501(c) groups are subject to federal campaign finance laws.