



Air Traffic Control

Basic Fundraising Definitions

Here is a basic overview of some legal and technical terms surrounding fundraising for the upcoming election. More definitions can be found at www.uta.fi/FAST/GC/cfinglos.html.

527 Group: A tax-exempt organization that takes advantage of a loophole in soft money regulations (which control fundraising for political parties). These groups are sometimes referred to as Soft Money PACs. 527s can engage in some political activities including voter mobilization efforts, issue advocacy, and can endorse candidates. 527s cannot campaign directly for candidates or engage in lobbying activity (without incurring a tax on the amount spent on lobbying). 527s can raise and spend unlimited amounts of money on issue advocacy and voter mobilization. The line between issue advocacy and candidate advocacy is the source of heated debate. EXAMPLES INCLUDE Moveon.org, Music for America, America Coming Together.

PAC: A political action committee, or PAC (sometimes referred to as Hard Money PAC), is a private group organized to elect or defeat government officials. This is done with the ultimate goal of passing better legislation in support of the group's special interests. PACs are not limited to advertising spent in support of their own issues, but are limited on what they spend on specific candidates, political parties, and other PACs. PACs can spend:

- no more than \$5,000 per candidate per election (primaries, general elections and special elections are counted separately.)
- no more than \$15,000 per political party.
- no more than \$5,000 per PAC. PACs are allowed to give to other PACs.

EXAMPLE: In the 2002 elections, the top 5 highest spending PACs (including themselves, their affiliates and subsidiaries) were: Emily's List (\$22,767,521), Service Employees International Union (\$12,899,352), American Federation of Teachers (\$12,789,296), American Medical Association (\$11,901,542), and National Rifle Association (\$11,173,358)

501 (c)(3): A 501 (c)(3) is the most familiar kind of nonprofit. Donations are tax-deductible and all finances must be reported to the IRS. These nonprofits must be humanitarian, educational or scientific in nature. They are not allowed to engage in politics, except in what is called "Get-Out-The-Vote" (GOTV) capacities, which include voter education and registration. They are limited in their ability to lobby or talk about legislation and are not allowed to endorse or engage with campaigns for public office. Any of these activities could be grounds for revocation of the organization's tax status by the IRS (this happened to the Sierra Club several decades ago). A 501(c)(3) may establish a 501(c)(4). EXAMPLES INCLUDE Rock the Vote, Greenpeace, Amnesty International, Declare Yourself.

501(c)(4) organizations have fewer tax law restrictions than 501(c)(3) organizations with regard to political activity. Provided election activity is not the primary function of the 501(c)(4), they can participate in more partisan election-related activity, such as unlimited lobbying (including work on ballot measures), endorse federal candidates for office to the organization's membership, and in some states, make cash or in kind contributions to state or local candidates. 501(c)(4)s may not coordinate or contribute to any federal candidate or party, make communications to the general public that includes express advocacy for a federal candidate, or engage in electoral activity as the organization's primary activity. A 501(c)(4) may establish a 501(c)(3) or a 527. EXAMPLES INCLUDE League of Pissed Off Voters

Soft Money: Political money raised by national and state parties that is not regulated by federal campaign finance law (because, in theory, it is used for generic "party building" activities such as getting out the vote) is called "soft money". In practice, soft money is often used to benefit specific federal candidates, and thus it has

become a major vehicle for skirting the limitations and restrictions of federal law. In 1992, the national parties raised \$83 million in soft money and state parties raised an estimated additional \$205 million. Much of this money came in contributions of \$50,000 and \$100,000.

Candidate Soft Money: Until the 2000 elections, the only place to send a soft money check was directly to the political parties. That changed in the last election. A handful of U.S. Senate candidates - Hillary Rodham Clinton and Rudy Giuliani in New York, Rick Santorum in Pennsylvania, John Ashcroft in Missouri, and Slade Gorton in Washington state - set up joint fundraising committees that collected both hard and soft money donations.

For money-is-no-object donors, this is like one-stop shopping. Instead of giving the maximum \$2,000 contribution to a candidate (\$1,000 for the primary, another \$1,000 for the general election), you could give \$50,000 to the candidates' joint fundraising committee. The committee would then peel off \$2,000 to send back to the candidate as hard money, while forwarding the rest as soft money to the other party's fund-raising committees. Those committees could then decide where to spend the cash. If they wanted, they could spend all of it in the state where it was raised.

Do-It-Yourself Soft Money: "Issue advocacy ads" produced by individuals and corporations in support or opposition of a candidate or issue. This money is totally off the books. Nobody reports it anywhere. You might be able to trace how much was spent by poring over TV ad-buy records, but it's a cumbersome job, with inexact and incomplete results.

This information, compiled by Erin Potts and Jessica Tully, is part of a larger body of resources produced by Air Traffic Control, a nonpartisan organization founded by and for artists dedicated to helping progressive songwriters and musicians lend their talents, resources and energies in the most effective way possible to educate voters about the positions and records of elected officials and candidates and to create real change around a host of progressive issues. For more information visit www.airtrafficcontroltower.net.