



Campaign Finance Workshop
Ohio Federation of Republican Women
Fall Conference 2010
September 18, 2010

TABLE OF CONTENTS

DEFINITION OF A POLITICAL CLUB.....	2
IMPACT ON YOUR LOCAL CLUB.....	2
DEFINITION OF A POLITICAL ACTION COMMITTEE	2
BECOMING A LOCAL POLITICAL ACTION COMMITTEE.....	2
FILING WITH THE LOCAL BOARD OF ELECTIONS.....	3
TRANSFERRING FUNDS FROM THE CLUB ACCOUNT TO THE PAC ACCOUNT	3
CAMPAIGN FINANCE REPORTS	4
FILING DEADLINES	4
CONTRIBUTIONS TO THE PAC.....	5
EXPENDITURES FROM THE PAC	5
REQUIRED FORMS	6
CONTRIBUTIONS TO CANDIDATES	6
STATEWIDE CANDIDATE CONTRIBUTIONS	6
FEDERAL CANDIDATE CONTRIBUTIONS.....	6
FEDERAL IRS IMPLICATIONS	6
EXEMPT FUNCTION – POLITICAL ORGANIZATION	7
ORGANIZATIONAL TEST - §527 EXEMPTION	7
EXEMPTION REQUIREMENTS – POLITICAL ORGANIZATIONS	7
INITIAL NOTICE – FORM 8871.....	8
FORM 8871 – EXCEPTIONS FROM REQUIREMENT TO FILE	8
SMALL POLITICAL ORGANIZATIONS EXCEPTED FROM FORM 8871 FILING REQUIREMENT	8
HELPFUL LINKS	9

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State’s Office for any questions or for clarification of what has been provided herein.

DEFINITION OF A POLITICAL CLUB

A political club that is formed primarily for social purposes and that consists of one hundred members or less, has officers and periodic meetings, has less than \$2,500 in its treasury at all times and that makes an aggregate total contribution of \$1,000 or less per calendar year is not considered a PAC and does not have to file a Designation of Treasurer or file campaign finance reports. [Ohio Revised Code §3517.01(B)(8)(b)]

IMPACT ON YOUR LOCAL CLUB...

IF your local club has over \$2,500.00 in its checking account at any given point during the calendar year, it is recommended that it establish a political action committee.

IF your local club contributes more than \$1,000.00 in aggregate to candidates in a calendar year, it is recommended that it establish a political action committee.

IF your local club has more than 100 members, it is recommended that it establish a political action committee.

DEFINITION OF A POLITICAL ACTION COMMITTEE

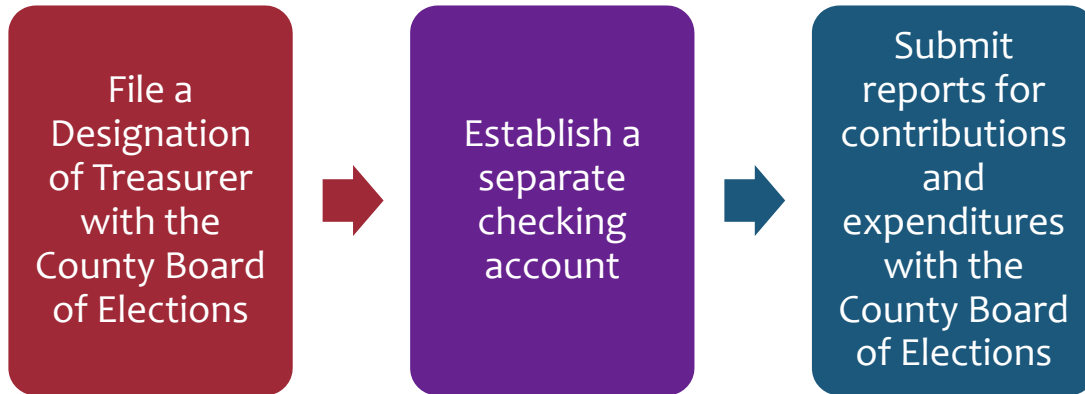
An Ohio Political Action Committee (PAC) is a combination of two or more persons, the primary or major purpose of which is to influence the result of any election. A PAC does not include candidate committees, legislative campaign funds, political parties, political contributing entities (PCEs) or political clubs.

BECOMING A LOCAL POLITICAL ACTION COMMITTEE

Generally, if PACs spend more than half of their money in the four-year election cycle at the county or local level, then the PAC must file reports with the county board of elections. If a PAC spends half or more of its money in the four-year election cycle supporting or opposing candidates for the state legislature, state or national political parties or statewide ballot issues, then the PAC files with the secretary of state.

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.

To become a local political action committee the process is simple.



FILING WITH THE LOCAL BOARD OF ELECTIONS

The first step in becoming a local political action committee is to file a Designation of Treasurer with the local Board of Elections. A copy of a Designation of Treasurer form is provided for you in the forms section of this packet.

OPENING UP A NEW CHECKING ACCOUNT

Once the Designation of Treasurer form is filed, you are able to open a checking account and start receiving contributions for your local political action committee.

OBTAINING AN EMPLOYER IDENTIFICATION NUMBER

Some financial institutions require that you have an EIN or employer identification number. To obtain an EIN you must visit the IRS.gov website.

<http://www.irs.gov/businesses/small/article/0,,id=97860,00.html>

This link will walk you through the steps of filing for an EIN. There are multiple ways to file for an EIN, the online application process is the simplest and most expeditious way.

TRANSFERING FUNDS FROM THE CLUB ACCOUNT TO THE PAC ACCOUNT

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.

Annually, a club account is permitted to spend \$1,000.00 to a PAC or candidate, in aggregate. Therefore, a local club is permitted to contribute \$1,000.00 to its PAC account.

Example, in December 2009, the XYZ County Republican Women's Club contributed \$1,000.00 to the XYZ County Republican Women PAC. In January of 2010, the XYZ County Republican Women's Club contributed \$1,000.00 to the XYZ County Republican Women PAC. No other campaign related contributions were made out of the XYZ County Republican Women's Club account.

CAMPAIGN FINANCE REPORTS

At a minimum, semi-annual and annual campaign finance reports must be filed with the County Board of Elections detailing contributions and expenditures.

The frequency of filing depends upon contributions and expenditures received during the year.

FILING DEADLINES

PAC reports are due based on the nature and timing of the activity in which the PAC engages. The reporting clock begins based upon the PAC activity and whether that activity is to influence a future or recent election. All reports must be physically received by the secretary of state or county board of elections in order to be considered timely filed. A report postmarked, but not received by the deadline, is a late filing, and the PAC must be referred to the Ohio Elections Commission.

THERE ARE FOUR TYPES OF REPORTING DEADLINES:

A **pre-election** report is due by 4:00 p.m. 12 days before an election if the PAC spent or received \$1,000 or more to influence that election between the time the last report was filed and the 20th day before the election.

A **post-election** report is due by 4:00 p.m. 38 days after the election if the PAC received contributions or made expenditures to influence that election between the time the last report was filed and the 31st day after the election.

A **semiannual** report is due by 4:00 p.m. on the last business day of July if the PAC was not required to file a report after the immediately preceding primary election.

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.

It should cover the time period since the last report through the last day of June. A semiannual report should only reflect the activity that has occurred since the last report was filed.

An **annual** report is due by 4:00 p.m. on the last business day of January if the PAC was not required to file a report after the immediately preceding November election. It should cover the time period since the last-filed report and through the last day of December. An annual report should reflect only the activity that has occurred since the last previous report was filed.

CONTRIBUTIONS TO THE PAC

Any individual can contribute up to \$11,395.96 annually to the PAC.

A contributor may not give more than \$100 per election in cash. Cash includes only currency or coin. §3517.13(F)

Any contribution over \$25.00 must include the contributor's name and address for record keeping purposes. Therefore, it is recommended, that when you make your deposits to make copies of all the checks being deposited.

Contributors may NOT remain anonymous by request. If the donor does not want to be identified, then the contribution should not be made.

PACs are prohibited from knowingly accepting monies from individuals under the age of seven (7).

All income must be deposited into the bank account within 30 days of receipt or returned to the donor.

Corporate contributions are prohibited. Partnerships, LLCs and other unincorporated entities may contribute, but must include the name of an owner to whom to attribute the contribution. §3517.10(I)

EXPENDITURES FROM THE PAC

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.

Additionally, every expenditure in excess of \$25.00 must have a corresponding canceled check or a paid receipt photocopy attached to the report. The receipt must be marked “PAID” by the vendor.

Printouts of cancelled check images as provided by the PAC’s banking institution satisfy the expenditure verification requirement.

REQUIRED FORMS

Examples of the required campaign finance filing forms are provided for you in the forms section of this packet.

CONTRIBUTIONS TO CANDIDATES

Local political action committees are permitted to make contributions to candidates on the county and local level.

Contributions to candidates from local political action committees have limitations on statewide, (including state legislature) and federal candidates. If a PAC spends half or more of its money in the four-year election cycle supporting or opposing candidates for the state legislature, state or national political parties or statewide ballot issues, then the PAC files with the secretary of state.

STATEWIDE CANDIDATE CONTRIBUTIONS

Local political action committees can contribute to statewide candidates, including the state legislature candidates. However, it must ensure that more than half of its money during the four-year election cycle is spent on local and county candidates. If the PAC spends more than half of its money on statewide candidates, it must file a change of Designation of Treasurer with the Ohio Secretary of State.

FEDERAL CANDIDATE CONTRIBUTIONS

A local and statewide political action committee can contribute in aggregate \$1,000.00 per calendar year to federal candidates. The local or statewide PAC CANNOT contribute more than \$1,000.00 in aggregate in a calendar year or it has to file with the Federal Elections Commission (FEC) which is extremely burdensome and not recommended.

FEDERAL IRS IMPLICATIONS

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State’s Office for any questions or for clarification of what has been provided herein.

Typically the only federal IRS issue that local political action committees will need to be concerned with is filing for an EIN from the IRS. However, below explains how a small political organization is not required to file with the IRS if it has gross receipts of \$25,000.00 or less in a taxable year.

EXEMPT FUNCTION – POLITICAL ORGANIZATION

The exempt function of a political organization is influencing or attempting to influence the selection, nomination, election or appointment of an individual to a federal, state, or local public office or office in a political organization. The election of Presidential or Vice-Presidential electors is also part of the exempt function of a political organization. Activities that directly or indirectly relate to or support an exempt function are exempt function activities.

ORGANIZATIONAL TEST - §527 EXEMPTION

A political organization does not need be incorporated or otherwise have formal organizing documents. A separate bank account in which political campaign funds are deposited and disbursed only for exempt function purposes can qualify as a political organization. If an organization has no formal organizing documents, consideration is given to statements (such as a resolution) of the organization's members when it was formed that they intend to operate the organization primarily to carry on exempt functions. Federal or state initial registration filings (for example, Statement of Organization, FEC Form 1) made by the organization under applicable election laws, also can serve as evidence that the entity meets the organizational test.

EXEMPTION REQUIREMENTS – POLITICAL ORGANIZATIONS

A political organization subject to section 527 is a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

A political organization must be organized for the primary purpose of carrying on exempt function activities. A political organization's primary activities must be exempt function activities. A political organization may engage in activities that are not exempt function activities, but these may not be its primary activities.

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.

To be exempt, a political organization must file a timely notice with the IRS that it is to be treated as a tax-exempt organization.

INITIAL NOTICE – FORM 8871

To be exempt, a political organization must give notice electronically to the Service that it is a political organization described in Internal Revenue Code section 527, unless an exception applies. An organization must file an amended notice within 30 days after the occurrence of a material change in the information reported, and a final notice upon termination of the organization.

FORM 8871 – EXCEPTIONS FROM REQUIREMENT TO FILE

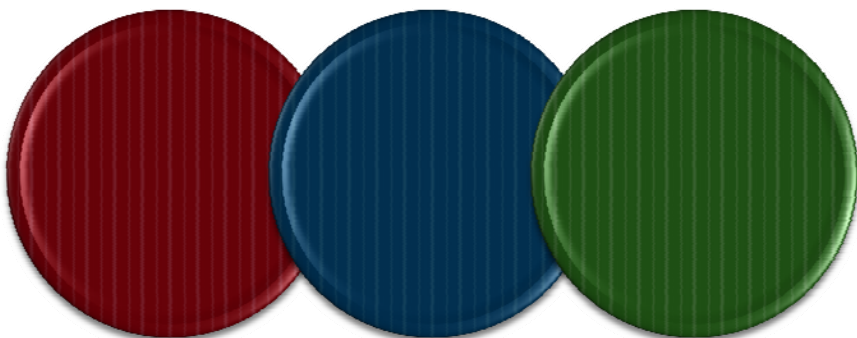
The following political organizations are NOT required to file Form 8871:

- Any organization required to report to the Federal Election Commission as a political committee,
- Committees of state or local candidates,
- State or local committees of a political party, and
- Any organization reasonably anticipating that it will always have less than \$25,000 for any taxable year.

SMALL POLITICAL ORGANIZATIONS EXCEPTED FROM FORM 8871 FILING REQUIREMENT

An organization is not required to file Form 8871 if it reasonably anticipates that it will not have gross receipts of \$25,000 or more for any taxable year. An organization is within this exception if it reasonably anticipates that its annual gross receipts will be less than \$25,000 for its first six taxable years. If an organization in fact has annual gross receipts of \$25,000 or more for any taxable year, it must file Form 8871 within 30 days of receiving \$25,000 in a single taxable year to continue to be tax-exempt.

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.



HELPFUL LINKS

Ohio Secretary of State Campaign Finance: Compliance

- *Includes:*
 - *Compliance and Disclosure Guide*
 - *Contribution Chart*
 - *Campaign Finance Filing Forms*

<http://www.sos.state.oh.us/SOS/Campaign%20Finance/compliance.aspx>

Ohio Revised Code – Chapter 3517 Campaigns; Political Parties

Political Party Definitions and the law governing political parties and PACs

<http://codes.ohio.gov/orc/3517>

Internal Revenue Service - §527 Political Organizations

§527 Political Organization Form 8871 – Exceptions from Requirement to File

<http://www.irs.gov/charities/political/article/0,,id=175461,00.html>

Annual Information Returns - §527 Political Organizations

<http://www.irs.gov/charities/political/article/0,,id=152518,00.html>

Please Note: this packet is to serve as a guideline. Please consult your local Board of Elections or the Ohio Secretary of State's Office for any questions or for clarification of what has been provided herein.