

## What Is a 527?

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With the abundance of media outlets covering and commenting on the actions of the Federal Election Commission (FEC) in its advisory opinion to Americans for a Better Country (See article on page 2.), a refresher on exactly what constitutes a 527 political organization may be useful. A federal PAC is, by definition, a 527, but not all 527s are federal PACs.

Political organizations that claim tax-exempt status under Section 527 of the Internal Revenue Code are referred to as "527 organizations" or "527s." These organizations are formed and operated primarily to receive and make contributions for the purpose of influencing the selection, nomination, election or appointment of any individual to federal, state or local public office. 527 organizations are exempt from federal income tax on contributions received (although they are taxed at the highest corporate rate (currently 35 percent) to the extent that they have investment income above \$100).

There are some 527 organizations (*e.g.* federal political action committees) that must comply with the requirements of the FEC. These organizations do not need to file most of the Internal Revenue Service (IRS) reports described below. 527s that are not subject to the FEC's oversight are often called "shadow" or "soft money" organizations because they can raise unlimited funds from a variety of sources. However, these organizations must register with the IRS and must disclose information about the contributions that they receive and the expenditures that they make.

A 527 organization does not need to be incorporated or have formal organizational documents. However, it must have its own employer identification number, which can be obtained instantly from the IRS by applying online at <https://www.irs.gov/charities-non-profits/political-organizations/filing->

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requirements-1.

In order to qualify as a 527, most organizations must file Form 8871 electronically with the IRS at [www.irs.gov/pologrs](http://www.irs.gov/pologrs). If the organization reasonably expects to have more than \$25,000 in annual gross receipts, then the form must be filed within 24 hours after the date that the organization is formed (otherwise it must be filed within 30 days after the organization actually receives \$25,000). The following organizations are not required to file Form 8871: (i) political committees required to file FEC reports; (ii) state or local political party committees; (iii) political committees of state or local candidates and (iv) organizations that expect that they will always have gross receipts of less than \$25,000.

Most 527 organizations also must file the following reports with the IRS: (A) periodic reports (Form 8872); (B) an annual information return (Form 990) and (C) an annual income tax return (Form 1120-POL). IRS Form 8872 reports must be filed electronically either monthly, quarterly or semi-annually, while IRS Form 990 must be filed by May 15 of the following year (for calendar year filers). Organizations that are not required to file IRS Form 8871 also are not required to file either the IRS Form 8872 or IRS Form 990. Also, 527s that file regular disclosure reports with one or more states disclosing all of their financial information, are not required to file IRS Forms 8872. (These organizations are known in IRS lingo as QSLPOs or "qualified state and local political organizations.") QSLPOs are not required to file IRS Form 990 unless their gross receipts exceed \$100,000.

All 527 organizations, including federal political committees, that have taxable income of more than \$100 must file IRS Form 1120-POL, which is due by March 15 of the following year (for calendar year filers).