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## The New Rules for Political Donations

*Here's what you need to know before giving to your favorite candidates and causes*

By [RACHEL LOUISE ENSIGN](#)

The stump speeches might sound familiar, but donating to political causes this presidential election season is different.

That's because recent court rulings and Federal Election Commission decisions have transformed federal election law, paving the way for new super political-action committees, or super PACs, and re-energized 501(c) organizations to vie for donor dollars with fewer constraints than candidates and political parties. The emergence of these groups has expanded the menu of ways you can support candidates. The choices you make will affect not only how your money is used, but also what sort of disclosure of your contributions you can expect.

Whether you're a big donor who wants to contribute beyond what you're allowed to give to candidates and their parties, or a donor of any size looking for a different way to contribute, here's what you need to know before giving this time around.

*What's New?*

The biggest changes this presidential go-around: Donors can contribute unlimited amounts of money to super PACs, a new slate of political entities that didn't exist in the 2008 election. And corporations and unions have been given the green light to use internal money to fund efforts by 501(c)s to elect or defeat certain candidates, meaning some of these groups will be playing a bigger role than in the past. Before, companies and unions had to use volunteer donations from their employees and members to pay for most of their overt political activities, such as paying for attack ads.



Daniel Hertzberg

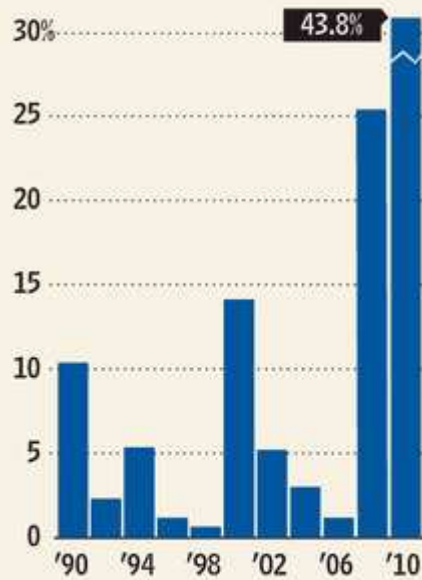
"It's breathtaking when you really think about it, with organizations having the capacity to raise hundreds of millions of dollars and get donations that are not just four or five figures, but six, seven and eight figures," says Thomas Mann, a senior fellow at the Brookings Institution, a Washington, D.C., think tank.

The rise of these groups can be traced in large part to two court rulings in 2010: the U.S. Supreme Court decision in the case of *Citizens United v. Federal Election Commission*, and the decision by the U.S. Court of Appeals for the District of Columbia Circuit in the case of *SpeechNow.org v. Federal Election Commission*.

Virtually nothing has changed in terms of donating *directly* to candidates or to national political committees, and such donations will still have a huge influence in this year's elections. Individuals can give up to \$2,500 to a candidate in both the primary and general elections and up to \$30,800 to the national party each year; both those ceilings are up slightly from the 2008 elections.

## I've Got a Secret

In 2010, nearly 44% of independent campaign spending was from undisclosed donors, up sharply from previous years. Proportion of outside spending with no disclosure of donors:



Source: Center for Responsive Politics

"The difference is that there are [now] two systems of regulations for campaign finance. One is the traditional system" governing direct donations, while the other governs contributions to super PACs and 501(c) organizations and their activities, says John Samples, director of the Center for Representative Government at the Cato Institute, a libertarian think tank based in Washington.

One of the few prohibitions on super PACs is that they are not allowed to coordinate their activities with the campaigns, though some are staffed with former campaign advisers of a political candidate and direct their efforts toward supporting that candidate or tearing down his or her opponents. These include Restore Our Future, which supports Mitt Romney and has raised about \$52 million, and Priorities USA Action, which supports President Obama and has raised about \$9 million, according to the Center for Responsive Politics, a nonpartisan group that publishes campaign-

finance data. Other super PACs have a broader agenda, supporting several candidates.

The types of 501(c) organizations that have taken on greater importance in political campaigns under the new rules are 501(c)4 groups like Citizens United, which are so-called social-welfare organizations, 501(c)5 organizations like labor unions and 501(c)6 groups like the pro-business Chamber of Commerce. One thing to keep in mind: You only get a tax deduction for donating to 501(c)3 charitable organizations—and those groups are barred from getting involved in partisan politics.

### *Supporting Super PACs*

So when is a super PAC a good choice? For some, it's a matter of necessity—if you've hit your limits on contributions to candidates and their parties and you want to give more to support them, this is a way to do that.

For others, it's a matter of choice. You may feel that a donation to a certain super PAC will be more influential than a direct contribution to the candidate it supports. Super PACs backing single candidates have provided crucial support for contestants in the Republican presidential primaries and are expected to play a significant role in the general elections for the presidency as well as for Senate and House seats.

Or you may want your money to support several candidates, something you can do with certain super PACs in a more focused way than you can by donating to a national political party. Other super PACs have still broader agendas, allowing you to contribute to the political process in ways you typically couldn't with a donation to a candidate or a party. The Campaign for Primary Accountability, for instance, has raised more than \$2.5 million so far in an effort to lessen the advantage that House incumbents in both major parties have in primary elections. Donors to this group can dedicate contributions to a specific race.

To give, "the donor should contact the super PACs he thinks may be ideologically in tune with him. Like when you give to any organization, you have to do due diligence," says David Keating, president of the Center for Competitive Politics, a group based in Alexandria, Va., that advocates looser limits on campaign donations, and founder of SpeechNow.org, the winner of one of the 2010 landmark campaign-finance decisions.

Donors need to be especially careful because super PACs are lightly regulated, says Paul S. Ryan, an attorney at the Campaign Legal Center, a Washington-based group that advocates for stricter regulations. There are very few restrictions on what a super PAC can spend your money on, so you want to be sure you understand as fully as possible where the organization's money is going. Many of these organizations don't provide a lot of detail about their spending on their websites, so donors often will need to dig deeper than that.

Figure out who runs the super PAC you're considering and ask what they plan to spend donations on, Mr. Keating advises.

### *Figuring Out 501s*

Now that corporations and unions can contribute unlimited amounts to the direct political activities of certain 501(c) organizations, these groups are becoming bigger players in elections.

That's something to think about if you're directing a donation from your business, big or small. But these groups are also an option for individual donors, and their new-found influence makes them worth considering for personal contributions.

Supporting or opposing political candidates cannot be the primary purpose of a 501(c)4 group under Internal Revenue Service regulations. So the most politically active of them tend to focus on issues rather than candidates, says Mr. Ryan. These groups include the conservative Americans for Prosperity and a branch of the liberal group MoveOn.

If the positions one of these groups takes on various issues align with your political interests more than a particular candidate's platform does, donating to a 501(c) may be a good choice.

You should also be aware that some of these organizations now operate in tandem with super PACs. One of the most powerful conservative pairings of this kind is American Crossroads, a super PAC, and Crossroads GPS, a 501(c)4. The difference between the two: "On the policy side, Crossroads GPS, we are working to stop President Obama's agenda. On the political side, American Crossroads, we're looking to replace him as president," says Nate Hodson, a spokesman for both organizations.

One appeal of 501(c) groups is the promise of donor anonymity. If you give more than \$200 through the traditional system or to a super PAC, your name, address and size of donation will be disclosed by the Federal Election Commission and published online. With these politically active 501(c) organizations, that's not the case.

"It's something that's worth a moment's thought," says Mr. Samples of the Cato Institute. "A Google search will frequently turn up these things."

But a word of caution: The promised anonymity may not be guaranteed. A U.S. district-court judge ruled last month that the FEC went beyond its authority when it allowed nonprofits to keep secret the identities of donors who financed certain election ads. This sets the stage for a battle over donor anonymity, says Mr. Mann of the Brookings Institution.

Meanwhile, the Internal Revenue Service—which is responsible for granting 501(c)4 status to organizations—recently asked for extensive details from certain conservative groups applying for that status, including the names of donors.

That suggests some groups may fail to pass muster, leaving their donors' names open to public scrutiny. So donors who expect anonymity should at least be sure that an organization has secured the necessary status before making a contribution.

*Ms. Ensign is a staff reporter for The Wall Street Journal in New York. She can be reached at [rachel.ensign@wsj.com](mailto:rachel.ensign@wsj.com).*

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