

March 7, 2005

**Statement Issued by the Campaign Legal Center, Common Cause,  
Democracy 21, the League of Women Voters and Public Citizen**

The undersigned organizations – all 501(c) non-profit groups – believe it is essential to close the serious loophole in the federal campaign finance laws for 527 groups. S.271, “The 527 Reform Act of 2005,” will effectively accomplish this goal and we strongly support its enactment.

At the same time, we strongly oppose any efforts to use S.271 as a vehicle to undermine, weaken or backtrack on The Bipartisan Campaign Reform Act enacted in 2002.

The 2004 elections witnessed a number of pro-Republican and pro-Democratic 527 groups spending tens of millions of dollars in soft money on broadcast ads promoting and attacking presidential candidates in order to influence the presidential election. These groups did not register as federal political committees and did not comply with federal limits on the contributions they could receive.

Other 527 groups did register as federal political committees, but claimed that under FEC rules they could use as much as 98 percent soft money to fund partisan voter drive activities that were clearly undertaken to influence the 2004 presidential election.

These 527 groups were funded with multi-million dollar contributions from wealthy donors, as well as with large contributions from corporations and labor unions. The use of soft money by 527 groups to influence federal elections opened a major loophole in longstanding federal campaign finance laws, and served to undermine the McCain-Feingold law aimed at ensuring that funds being spent to influence federal elections comply with federal campaign finance laws.

Under the Internal Revenue Code, a 527 group is defined as a “political organization” that is “organized and operated primarily” to influence candidate elections or appointments to public office. A group must meet this standard in order to qualify as a 527 group and thereby obtain the tax-exempt status provided by the Code.

The proposed legislation is designed to clarify the campaign finance laws. It is based on the simple position that a 527 group that spends money to influence federal elections should be required to register as a federal political committee and abide by federal campaign finance laws. Such groups should not be operating free from the federal campaign finance laws that apply to candidates, political parties and others that participate in federal elections.

We would like to take this opportunity to set the record straight on some misinformation about the proposed 527 reform legislation that is being circulated in an effort to provoke opposition to the bill.

***First, the legislation does not affect section 501(c) non-profit organizations.*** The legislation was carefully drafted to apply *only* to 527 groups. The legislation *explicitly states* that it does not apply to section 501(c) groups and does not change either the tax laws or the campaign finance laws that apply to 501(c) groups.

***Second, the bill does not affect nonpartisan voter drive activities by section 501(c) non-profit organizations.*** Contrary to claims being made by opponents of the legislation, the bill does not in any way apply to nonpartisan voter drive activities, and does not change current law that allows 501(c) groups to engage in such nonpartisan activities without limit.

***Third, claims that section 501(c) groups are “next” have no basis. These allegations are a tactic used by opponents to try to kill the bill and preserve the soft money loophole for 527 groups.*** The fact that opponents of the legislation resort to this argument illustrates as clearly as anything that the bill does *not* apply to 501(c) groups. Opponents are left to resort to unfounded claims that the 527 reform legislation has to be defeated in order to prevent a coming next legislative effort aimed at 501(c) groups. There is no basis for this speculation, which is an attempt to provoke 501(c) groups into opposing legislation that deals *solely* with 527 groups.

***Fourth, the legislation will not affect section 527 groups that are engaged exclusively in influencing state and local elections, or efforts regarding appointments to public office.*** The legislation applies *only* to 527 groups that are spending money to influence *federal* elections, including spending on ads about federal candidates and voter drive activities where federal candidates are on the ballot. These 527 groups remain free to *spend* as much money as they wish on these federal election activities, but the legislation requires such groups to comply with federal contribution limits, source prohibitions and reporting requirements.

The 527 Reform Act is carefully focused on closing a soft money loophole that is being used by 527 groups at the expense of campaign finance laws enacted to protect the integrity of our federal elections. The soft money loophole for 527 groups must be closed now before it turns into another national soft money scandal.

Signed,

Campaign Legal Center  
Common Cause  
Democracy 21

League of Women Voters  
Public Citizen