

**SUMMARY OF BIPARTISAN CAMPAIGN REFORM ACT OF 2002**  
**PROVISIONS AFFECTING TAX-EXEMPT ORGANIZATIONS**

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On March 27, 2002, the president signed into law the “Bipartisan Campaign Reform Act of 2002” (Public Law No. 107-155), also known as the Shays-Meehan bill. The Federal Election Commission (FEC) is currently in the process of promulgating regulations to implement the provisions of the Act. Several of the Act’s provisions will affect tax-exempt organizations, including charitable (section 501(c)(3)) and social welfare (section 501(c)(4)) organizations, unions (section 501(c)(5) organizations), trade associations (section 501(c)(6) organizations) and political (section 527) organizations. These provisions, which will be effective on November 6, 2002, immediately after this fall’s election, are:

- **Ban on Paying for Electioneering Communications:** All corporations, including tax-exempt corporations, will be prohibited from paying for “electioneering communications.” An electioneering communication is defined as:
  - (1) a broadcast, cable or satellite communication that
  - (2) refers to a clearly identified candidate for Federal office,
  - (3) is made within 60 days before a general, special or runoff election or 30 days before a primary or preference election, or convention or caucus of a political party to nominate a candidate, and
  - (4) for candidates other than presidential or vice-presidential candidates, can be received by 50,000 or more persons in the district (for a candidate for Representative) or state (for a candidate for Senator) the candidate seeks to represent.

Exceptions exist for news stories and non-partisan candidate debates or forums. One provision also attempts to create an exception for section 501(c)(4) and section 527 organizations that are funded solely by, or maintain a separate segregated fund funded solely by, individuals who are U.S. citizens, nationals or permanent residents, but another provision, added by an amendment, eliminates this exception.

- **Ban on Fundraising and Contributions by Political Party Committees:** The Act will prohibit national, state, district or local political party committees from directly or indirectly soliciting funds for or making or directing donations to either:
  - A tax-exempt organization described in section 501(c) which makes expenditures or disbursements in connection with an election for Federal office. Such disbursements include but are not limited to disbursements for voter registration, voter identification, or get-out-the-vote (GOTV) activities, promotion of a political party, or making a public communication that refers to a clearly identified candidate for Federal office and promotes or supports, or attacks or opposes, a candidate for that office.
  - A section 527 political organization.

- **Limitations on Fundraising by Candidates and Federal Officeholders:** The Act will prohibit candidates and federal officeholders from directly or indirectly soliciting contributions to fund Federal election-related activities (except for hard money contributions). The Act will continue to allow such individuals to solicit contributions for a tax-exempt organization described in section 501(c) as long as either:
  - The solicitation does not specify how the funds will or should be spent and the organization's principal purpose is not to engage voter registration within 120 days before a federal election, voter identification, GOTV activities, or promotion of a political party; or
  - The solicitation is made explicitly to fund voter registration within 120 days before a federal election, voter identification, or GOTV activities, or promotion of a political party and the solicitation is made only to individuals and the amount solicited from any individual during any calendar years does not exceed \$20,000.
  
- **New Definition of Coordination:** The Act will treat any expenditure made in cooperation, consultation or concern, with, or at the request or suggestion of, a national, State, or local committee of a political party as a made in coordination with the political committee and therefore as a contribution to that committee. The Act also directs the FEC to issue new regulations on coordinated communications with political parties and candidates, regulations which will not require agreement or formal collaboration to establish coordination.

More detailed information about the Act can be found at the web sites for the Brookings Institution ([www.brookings.org/dybdocroot/campaignfinance](http://www.brookings.org/dybdocroot/campaignfinance)) and the Campaign and Media Legal Center ([www.camlc.org](http://www.camlc.org)).