



FROM SOCIAL WELFARE TO POLITICAL WARFARE

*The Evolving Role of Nonprofits in Our Elections
and Urgent Need for State Regulatory Action*

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EXECUTIVE SUMMARY

This report looks at the evolving role of social welfare organizations – also known as 501(c)(4) nonprofit organizations – in American elections. Our analysis profiles the State of New York, one of many states across the country where 501(c)(4) organizations have dramatically increased their involvement in elections, while also scaling up fundraising efforts to fuel this expanded role. Despite the growing significance of these nonprofit organizations in our elections, very little is currently known about the newest generation of politically-active social welfare organizations – a disconcerting trend which threatens to confuse both potential donors to these organizations and also voters who have been increasingly inundated with competing information advocating for the election and defeat of candidates.

Social welfare organizations originated in the early twentieth century with the goal of promoting common good or the general welfare of communities. Like their charitable counterparts, these civic groups were granted tax-exemption by the Internal Revenue Service (IRS) and their donors need not be disclosed to the public. These tax exemptions were intended to help support democratic dialogue and encourage civic participation. In the 100 years since Congress first coined these social welfare organizations, much has changed. The ability of 501(c)(4) organizations to collect unlimited contributions, keep the names of their donors anonymous, and engage in political spending has transformed these organizations into a new and attractive vehicle for influencing elections – particularly since the U.S. Supreme Court’s landmark decision in *Citizens United v. Federal Election Commission*.¹

Key findings from our analysis:

- **Election-related spending by 501(c)(4) organizations has increased dramatically** in recent years. During the 2012 election cycle, 32 social welfare organizations spent nearly \$7.2 million on federal elections in New York State – an increase of 1,579% over 2008 spending levels.
- Although the number of charities in the U.S. has fallen in recent years, there has been a **significant rise in the number of newly-registered 501(c)(4) organizations**.
- Since there are no rules about naming 501(c)(4) organizations, **the branding of individual social welfare organizations may be misleading** – with an intent to distract attention from the group’s purpose or attract donors who might not otherwise contribute money to the cause.

¹ *Citizens United v. Federal Election Commission*, 558 U.S. 310 (2010)

- **501(c)(4) organizations have become a significant player in elections.** In the four New York Congressional races where 501(c)(4) organizations spent the most money in 2012, the average margin of victory was less than 7 percent. 501(c)(4) organizations accounted for 11 percent of all election expenditures in these races.
- **Most nonprofit election spending does not come from local organizations within the district.** Of the ten 501(c)(4) organizations that spent the most money on elections in New York State from 2008-2012, none of these organizations are headquartered in the state.
- **Election spending by 501(c)(4) organizations is being directed primarily towards media and advertising,** where disclosure of funding sources is critically important when assessing bias.
- **The most prolific nonprofit election spenders provide limited – if any disclosure – of their political spending.** Only one out of the ten most active 501(c)(4) organizations in New York State disclosed on its website that it engaged in political spending and provided details on the races where it was actively engaged.

Based on these findings, this report recommends the following:

1. **Regulations are needed immediately to close loopholes in the law which allow 501(c)(4) organizations to spend on elections without disclosing their donors and spending in the same manner as independent expenditure groups and political action committees.**
2. **Disclosure of political activities and donors should occur at the state and local level where reforms can be quickly enacted and increased political spending poses the greatest threat to democratic participation.** Recognizing the dramatic increase in election spending by 501(c)(4) organizations in recent years – and the potential of this spending to dramatically undermine the democratic process in low dollar races at the state and local level – state and municipal governments should not wait for the IRS to enact reforms. Rather, they should support immediate reform to protect against undue influence from out-of-state entities.
3. **State charities bureaus must take a leadership role in protecting prospective donors against deception – by requiring all nonprofits to disclose their political spending and donors.** Current research suggests that nonprofit organizations are not voluntarily disclosing their political activities and as such, prospective donors have limited means to know where their donations are going. Charities bureaus can play an important role in helping to address this information gap.

BACKGROUND

The Evolution of 501(c)4 Organizations

Social welfare organizations – commonly referred to as 501(c)(4) organizations based on the corresponding section of the Internal Revenue Code (IRC) – emerged in the early 20th century. The IRC defines this classification of organization as one that “is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the community.”² Originally created with civic leagues and other community-centered organizations that “promote the common good and general welfare of the people of the community as a whole” in mind, 501(c)(4) has evolved into a catch-all classification for presumptively beneficial non-profit organizations that resist classification under the other exempting provisions of the IRC,³ such as 501(c)(3).

Unlike public charities, which are classified under section 501(c)(3) of the IRC and are strictly prohibited from engaging in political activity, there are fewer restrictions in the tax law on 501(c)(4) organizations. Provided that supporting or opposing candidates is not their primary activity, 501(c)(4) organizations can participate in political or electoral activities under federal tax law.⁴

Since their creation, 501(c)(4) organizations have not been legally obligated to disclose their donors. This provision was further reinforced in 1958, when the U.S. Supreme Court heard the case of *NAACP v. Alabama*. It was decided that membership lists could be protected due to members’ constitutional right to freedom of association. The ruling was intended to protect donors and members from harassment due to association with certain organizations and their work. Today this means that not only can citizens donate anonymously, but corporations, trade unions, and other organizations may also make donations without disclosure.

During the social movements of the 1960’s, 501(c)(4) classification became appealing to charitable organizations who wished to lobby congress, inspiring a wave of organizations to change their IRS

² Exempt Organizations-Technical Instructions Program for FY2003, Reilly, Hull and Braig-Allen

³ Exempt Organizations-Technical Instructions Program for FY2003, Reilly, Hull and Braig-Allen

⁴ Alliance for Justice, <http://www.afj.org/assets/resources/nap/election-year-activities-for-501c4s.pdf>

registration from other charitable classifications, such as 501(c)(3), to 501(c)(4).⁵ As tactics evolved, groups began pushing the boundaries of how much political activities could be done while retaining 501(c)(4) status; the IRC left for broad interpretation of how much political involvement could be done while still keeping the “primary” purpose of the organization promotion of social welfare. While social welfare organizations are permitted to engage in an unlimited amount of lobbying on issues related to their primary purpose, there are limits on other political activities, such as campaigning for or against specific candidates. For example, 501(c)(4) organizations may engage in political campaigns on behalf of or in opposition to candidates for public office provided that this electoral engagement does not constitute the organization’s primary activity.⁶

As a result of the U.S. Supreme Court’s *Citizens United vs. Federal Election Commission* decision in 2010, corporations and 501(c)(4) organizations are permitted to make unlimited independent expenditures to support or oppose candidates for political office. An independent expenditure is generally defined as any communication that is not coordinated, or made with the cooperation, consultation, or at the request of a candidate or political party. These changes have contributed to the evolution of 501(c)(4) organizations as a very attractive vehicle for influencing elections because the donors can contribute unlimited amounts and remain anonymous.⁷ Neither the social welfare organizations nor the donors have to be connected to the communities they will be influencing.

Ambiguity & Loopholes in the Law

Whereas the classification of social welfare organizations under the IRC was intended to foster civic groups that support democratic dialogue and encourage civic participation, a number of recently-formed 501(c)(4) organizations more closely resemble political action committees. Due to the broad language in the law and current regulatory practices, many details surrounding how these organizations are allowed to engage in electoral politics is subject to interpretation. The IRS has not provided definitive guidance as to how much political activity is allowed and enforcement in this area is difficult; none of the regulatory agencies with jurisdiction over these organizations have put formal, inclusive regulations in

⁵ <http://billmoyers.com/content/what-you-really-need-to-know-about-501c4s/>

⁶ Exempt Organizations –Technical Instructions Program for FY2003, Reilly, Hull and Braig-Allen+-

⁷ Alliance for Justice, <http://www.afj.org/assets/resources/nap/election-year-activities-for-501c4s.pdf>

place. This ambiguity makes 501(c)(4) status enticing for those seeking to exploit loopholes in the system.

In the aftermath of the 2010 midterm election – the first major election following the Supreme Court’s *Citizens United* decision – the group ProPublica⁸ conducted an in depth investigation into the role of 501(c)(4) organizations in these elections and found that the IRS had failed to clarify how much time and resources 501(c)(4) organizations can legally devote to political activities — or defined what it means to be “primarily” engaged in promoting what the agency terms the “common good and general welfare of the people of the community.”⁹ According to ProPublica, some 501(c)(4) groups have interpreted the rules to mean they can spend up to 49 percent of their money on political ads; the IRS has never set a hard limit. The agency has struggled to revoke or deny tax exemptions to groups because of political activity, sometimes having its decisions reversed by courts.¹³

Another factor inhibiting the IRS from regulating social welfare organizations is the current deadlines for submitting required information for organizations registered as 501(c)(4). The IRS requires those registered as a social welfare organization to disclose information regarding their political campaign activities on Form 990, *Return of Organization Exempt from Income Tax*.¹⁰ The Form 990 must be filed by the 15th day of the 5th month after the organization’s accounting period ends, for example May 15th for a calendar-year filer.¹¹ The filing deadline can pose a problem for disclosure because the organization may have invested in an election then dissolved shortly after the election without filing its Form 990 and the IRS would have no record of the organization’s spending.

An additional problem with current IRS regulations is that the information regarding political activities may not be fully disclosed on the Form 990 due to the ambiguity of the language surrounding acceptable spending. Activities that some might describe as political can be described as “educational” or “issue advocacy” by manipulating the classifications of activities allowed by social welfare organizations.

⁸ ProPublica is an independent, non-profit news organization that produces investigative journalism in the public interest. ProPublica.org

⁹ How Nonprofits Spend Millions on Elections and Call It Public Welfare, By Kim Barker
<http://www.propublica.org/article/how-nonprofits-spend-millions-on-elections-and-call-it-public-welfare>

¹⁰ Exempt Organizations-Technical Instructions Program for FY2003, Reilly, Hull and Braig-Allen

¹¹ <http://www.irs.gov/instructions/i990/ch01.html#d0e1110>

With regard to the IRS and regulating social welfare organizations, ProPublica found¹² that:

- Some organizations said they would not engage in politics when they applied for IRS recognition of their tax-exempt status, but later filings showed they spent millions on just such activities.
- Social welfare groups used a range of tactics to underreport their political activities to the IRS, a critical measure in determining whether they are entitled to remain tax-exempt.
- Many groups told the IRS they spent far less on politics than they reported to federal election officials. Some classified expenditures that clearly praised or criticized candidates for office as “lobbying,” “education” or “issue advocacy” on their tax returns.
- The IRS cannot match the speed of politics. By the time some groups submitted tax returns spelling out the millions they poured into the 2010 election, they had stopped operating, or disbanded and reformed under new names.

The IRS has been looking into refining and clarifying the regulations surrounding social welfare organizations registered under section 501(c)(4) of the IRC. Most recently, in July 2011, the Campaign Legal Center along with the group Democracy 21 filed a rulemaking petition with the IRS related to campaign activities by section 501(c)(4) organizations. In this Petition, the proponents called on the IRS to:

Revise its existing regulations relating to the determination of whether an organization that intervenes or participates in elections is entitled to obtain or maintain an exemption from taxation under 26 U.S.C. § 501(c)(4). The existing IRS regulations do not conform with the statutory language of section 501(c)(4) of the Internal Revenue Code (IRC) nor with the judicial decisions that have interpreted this IRC provision and are, accordingly, contrary to law.¹³

The IRS responded a year later saying:

¹² How Nonprofits Spend Millions on Elections and Call It Public Welfare, By Kim Barker
<http://www.propublica.org/article/how-nonprofits-spend-millions-on-elections-and-call-it-public-welfare>

¹³ http://www.campaignlegalcenter.org/attachments/IRS_PETITION.FINAL.7-27-2011.pdf

The IRS is aware of the current public interest in this issue. These regulations have been in place since 1959. We will consider proposed changes in this area as we work with the IRS Office of Chief Counsel and the Treasury Department's Office of Tax Policy to identify tax issues that should be addressed through regulations and other published guidance.¹⁴

The IRS has not completed any other action with regard to the rulemaking petition filed by the Campaign Legal Center and Democracy 21 and the regulations about political spending by social welfare organizations remains unclear. The IRS appears unlikely to make reforms in a timely manner as the agency is both underfunded and unequipped to handle large-scale regulation in this area.¹⁵

¹⁴ <http://electionlawblog.org/?p=37338>

¹⁵ Donor Names Remain Secret as Donors Shift, Michael Luo and Stephanie Strom, September 20, 2010, http://www.nytimes.com/2010/09/21/us/politics/21money.html?_r=1&scp=1&sq=campaign+spending+corporate&st=nyt

FINDINGS

The Number of 501(c)(4) Organizations is Increasing Rapidly

In recent years, much of the nonprofit sector has struggled at the hand of a challenging economy. There are 60,000 fewer public charities and private foundations today, compared to January 2010, according to the National Center for Charitable Statistics.¹⁶ However, two segments of nonprofits – 501(c)(4) advocacy organizations and 501(c)(6) trade associations – have witnessed the opposite trend; the number of registered nonprofit organizations with these classifications has increased 10% since the Supreme Court’s landmark *Citizens United* decision in January 2010.¹⁷

In the State of New York, one of many states across the country where 501(c)(4) organizations have dramatically increased their involvement in elections, the surge of social welfare groups is even more pronounced. Figure 1 on the following page illustrates the number of 501(c)(4) organizations registered with the State’s Charities Bureau from 1954 to present.¹⁸ Whereas, the number of social welfare organizations in New York has increased steadily over the last 35 years, the number of annual registrations has risen most dramatically since 2007, as shown in the table on the right. From 2007-2011, an average of 40 new 501(c)(4) organizations registered each year – more than four times the average in the 1980’s.

Average number of new 501(c)(4) organizations registering with NYS Charities Bureau since 1977

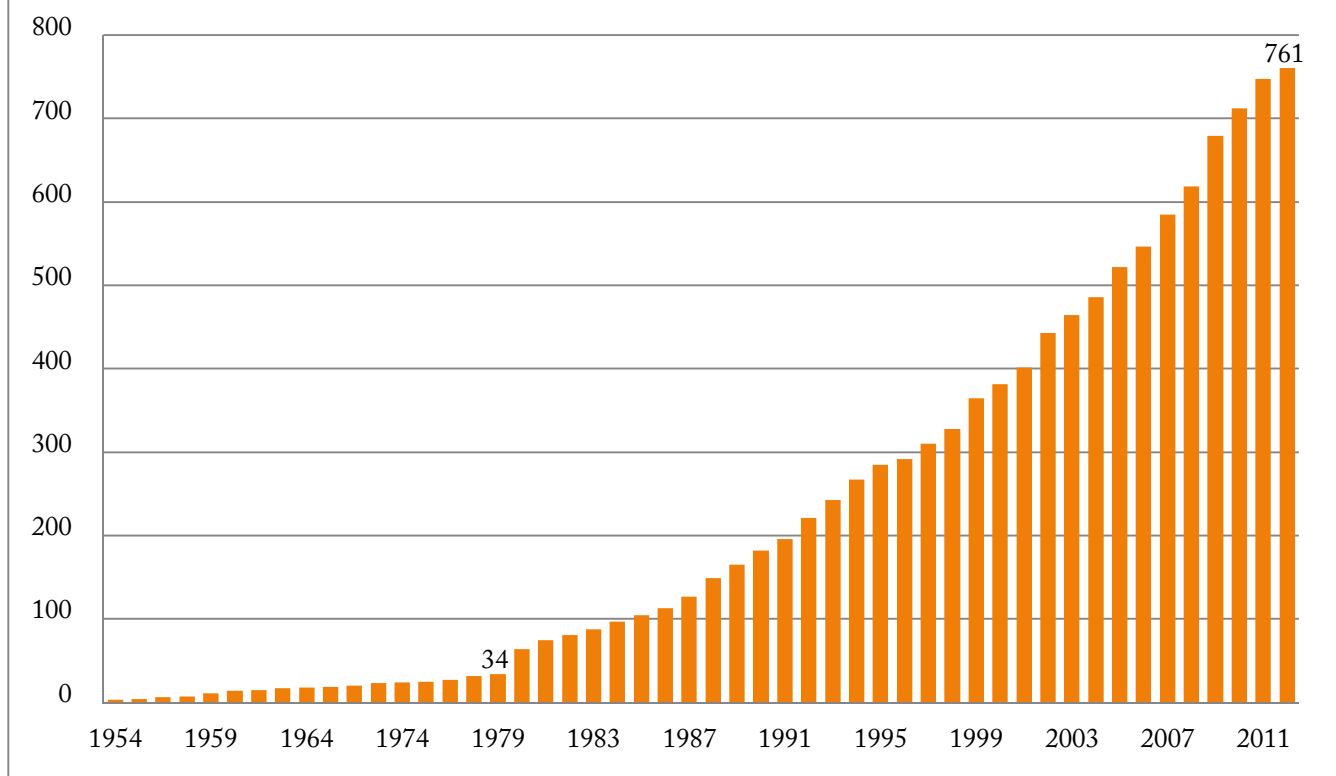
2007-2011	40.2
2002-2006	29
1997-2001	22
1992-1996	19.2
1987-1991	16.6
1982-1986	7.6
1977-1981	9.6

¹⁶ National Center for Charitable Statistics (NCCS) at the Urban Institute. Online at <http://nccs.urban.org/>.

¹⁷ *Ibid.*

¹⁸ All tax-exempt nonprofit organizations operating within New York State are required to register and report to the State Attorney General’s Charities Bureau pursuant to Estates, Powers and Trusts Law § 8-1.4. The Charities Bureau is responsible for supervising charitable organizations to protect donors and beneficiaries of those charities from unscrupulous practices in the solicitation and management of charitable assets. The Charities Bureau also supervises the activity of foundations and other charities to ensure that their funds and other property devoted to charitable purposes are properly used, and protects the public interest in charitable gifts and bequests contained in wills and trust agreements. The Bureau also maintains a registry of charities and fundraising professionals.

Figure 1: Total number of 501(c)(4) organizations registered with the New York State Charities Bureau: 1954-2012

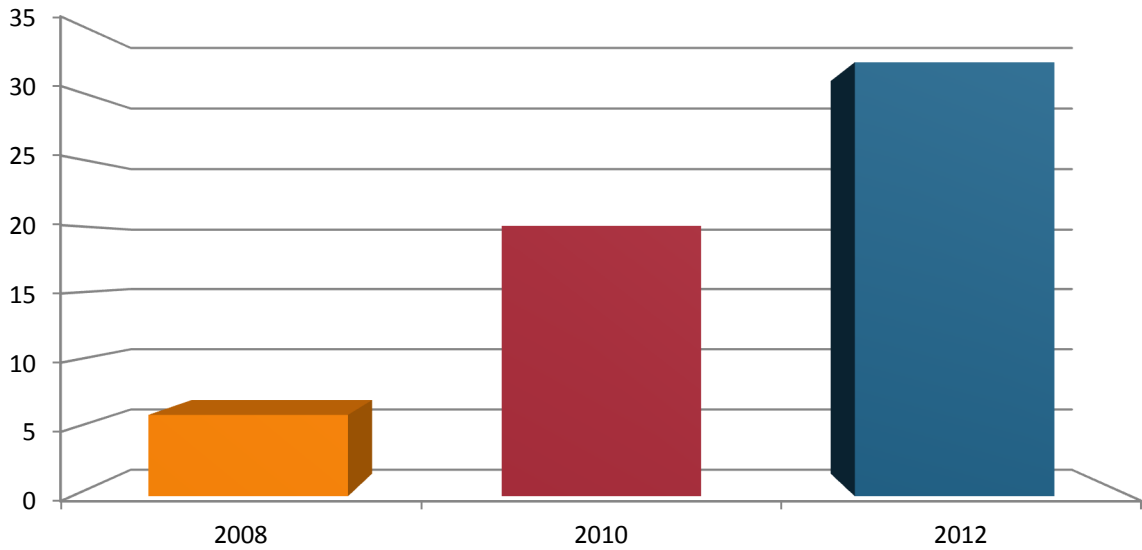


Paralleling these increases, the number of 501(c)(4) organizations spending in New York state elections also grew significantly from 2008 to 2012.¹⁹ According to data from the Federal Elections Commission (FEC), six social welfare organizations spent money in a total of three New York State Congressional districts in 2008. By the 2010 midterms, the first major election following *Citizens United*, that number increased to 20 organizations spending in a total of 11 Congressional districts and one U.S. Senate seat. By 2012, thirty-two organizations spent money in a total of 20 Congressional districts and one U.S. Senate race.²⁰

¹⁹ OpenSecrets.org <http://www.opensecrets.org/outsidespending/summ.php?disp=R>

²⁰ The FEC requires nonprofits to report their expenses if they fall into one of three categories: independent expenditures (advertisements that expressly advocate for or against federal candidates), electioneering communications (ads that mention, but do not expressly advocate for or against a federal candidate within 30 days of a primary or 60 days of a general election), and “communication costs” (member communications).

Figure 2: Number of 501(c)(4) organizations spending on federal election in New York: 2008-2012



Year	Number of organizations spending in NYS	Number of federal election districts
2008	6	3 Congressional districts
2010	20	11 Congressional districts + U.S. Senate
2012	32	20 Congressional districts + U.S. Senate

The Activities of Many 501(c)(4) Organizations are Easily Misunderstood

Despite their growing role in our elections, very little is known about the newest generation of social welfare groups. It is not uncommon for these organizations to be as registered at Post Office boxes instead of physical addresses, and many have yet to submit a tax filing to the IRS.²¹ Moreover, many newly-formed 501(c)(4) organizations have ambiguous-sounding names which blur their purpose; examples include Americans for Prosperity, the Citizen Awareness Project and Freedom Path.²²

²¹ Lee Drutman, “Dark money in the 2012 elections (so far),” Sunlight Foundation.” July 16, 2012. Online at <http://sunlightfoundation.com/blog/2012/07/16/dark-money/>

²² “2012 Outside Spending, by Groups,” The Center for Responsive Politics. Online at <http://www.opensecrets.org/outsidespending/summ.php?disp=O>

Since there are no definitive rules about naming 501(c)(4) organizations, the branding of individual social welfare organizations may be misleading – with an intent to distract attention from the group’s purpose or attract donors who might not otherwise contribute money to the cause. Three such examples are included below.

- One might confuse a group named Crossroads GPS to be a navigation service. In fact, it is a social welfare organization started by Karl Rove, the political strategist for the George W. Bush administration, which spent more than \$71 million dollars on broadcast, cable and radio ads in the 2012 presidential and congressional races.²³
- The Susan B. Anthony List is another misleadingly titled 501(c)(4) organization. In the late 19th century, Susan B. Anthony led the fight for women’s right to vote and is remembered as a prominent women’s civil rights activist. So it may come as a genuine surprise to potential donors that the Susan B. Anthony List is an organization that was formed to prevent reproductive choice for women by electing pro-life candidates to Congress. According to the President and CEO of the National Susan B. Anthony Museum and House in Rochester, NY (which is often confused with the Susan B. Anthony List), there is no evidence that Susan B. Anthony was against abortion rights.²⁴
- The 60 Plus Association, which describes itself as a non-partisan senior’s advocacy group, is another frequently misinterpreted organization.²⁵ The organization supports conservative candidates for elected office and often advocates on topics that are seemingly unrelated to seniors, such as energy production. Press releases on the 60 Plus Association website, for example, tout headlines such as “Liquefied Natural Gas Exports Seen As Economic Boost for Seniors”²⁶ and “Keystone XL Pipeline Delay Siphons Money from Seniors’ Pockets.”²⁷

²³ Center for Public Integrity. Online at <http://www.publicintegrity.org/2012/06/21/9168/nonprofit-profile-crossroads-gps>

²⁴ <http://billmoyers.com/2012/09/21/was-susan-b-anthony-pro-life/>

²⁵ <http://www.60plus.org/about/>

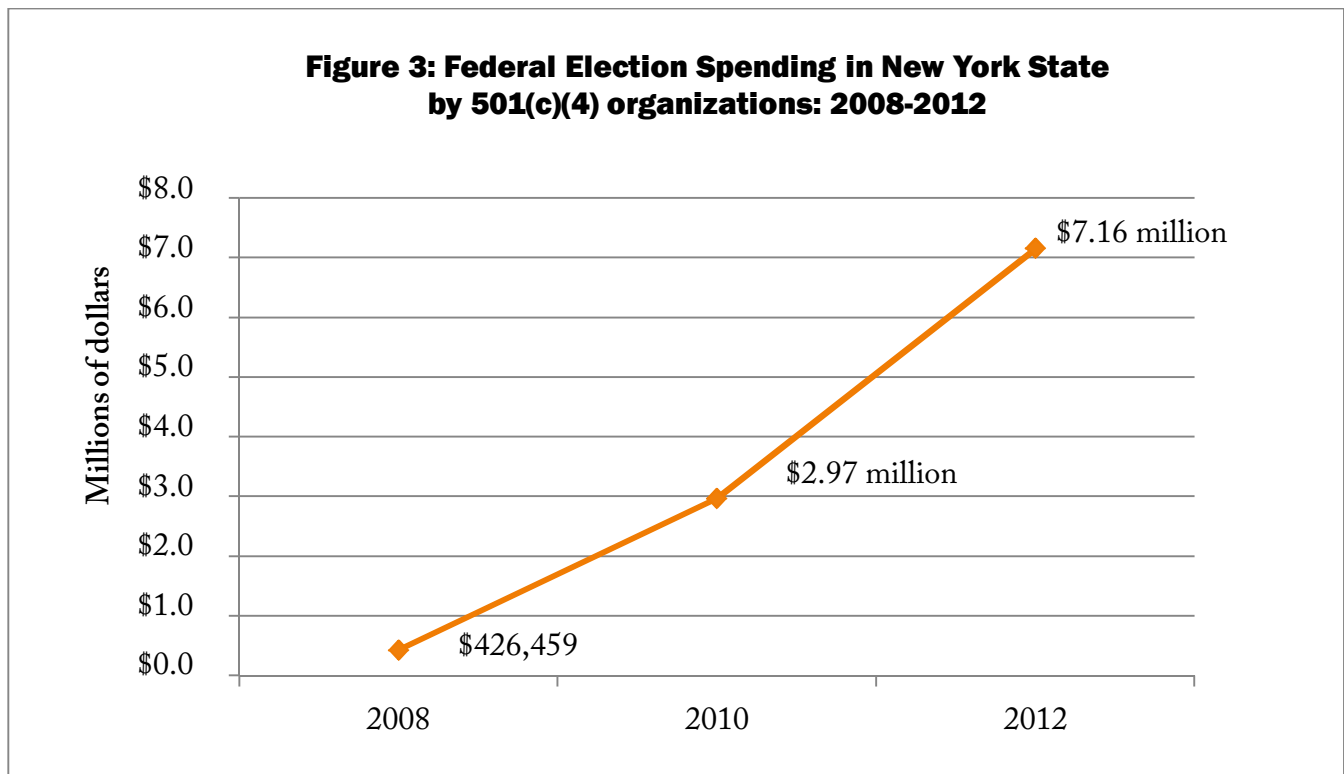
²⁶ <http://60plus.org/liquefied-natural-gas-exports-seen-as-economic-boost-for-seniors/>

²⁷ <http://60plus.org/keystone-xl-pipeline-delay-siphons-money-from-seniors-pockets/>

Election Spending by 501(c)(4) Organizations is on the Rise

According to a joint report by the Center for Public Integrity and the Center for Responsive Politics, 501(c)(4) organizations spent roughly \$95 million on political expenditures in the 2010 election.²⁸ For the 2012 election cycle, preliminary data suggests that upwards of \$315 million – 31% of all reported outside spending – was “secret spending” from 501(c)(4) and 501(c)(6) organizations that are not required to disclose the original source of their funds.²⁹ Although current reporting standards are insufficient to capture the full extent of spending by 501(c)(4) organizations, these numbers are a significant increase from all previous elections.

In New York State, election spending by 501(c)(4) organizations has also risen exponentially (see figure three below). In 2012, 32 social welfare organizations spent a combined total of nearly \$7.2 million on



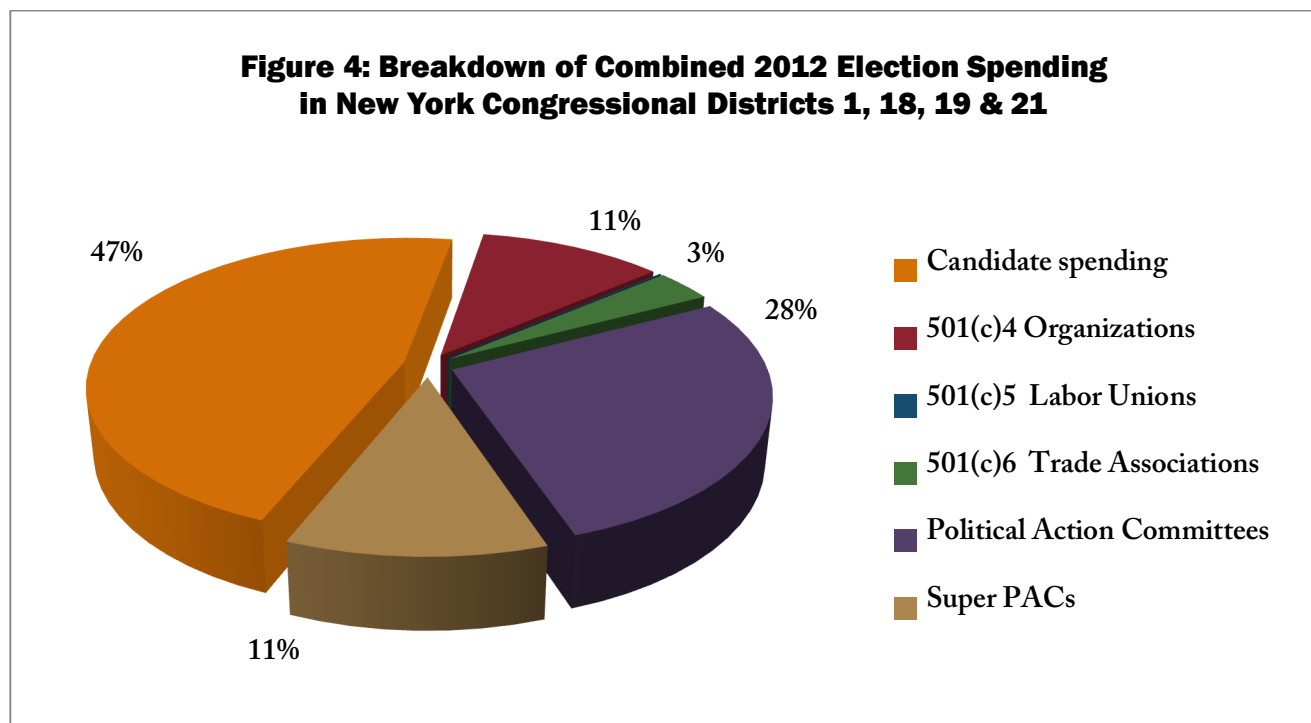
²⁸ Michael Beckel, “Nonprofits outspent super PACs in 2010, trend may continue,” Center for Public Integrity, June 18, 2012. Online at <http://www.publicintegrity.org/2012/06/18/9147/nonprofits-outspent-super-pacs-2010-trend-may-continue>

²⁹ Blair Bowie and Adam Lioz, “Billion dollar Democracy: The Unprecedented Role of Money in the 2012 Elections,” DEMOS and U.S. PIRG Education Fund, January 2013. Online at http://www.demos.org/sites/default/files/publications/BillionDollarDemocracy_Demos.pdf

the 2012 federal elections – an increase of 1,579% from 2008, when only six such organizations spent \$426,459. In 2010, twenty 501(c)(4) organizations spent a combined total of nearly \$3 million on federal elections in New York.³⁰

501(c)(4) Organizations have become Significant Players in Elections

The 2012 Congressional election results in New York provide a useful perspective to understand the growing impact of 501(c)(4) organizations in elections. As previously noted, 32 social welfare organizations spent a combined total of nearly \$7.2 million in these elections, advocating for the election or defeat of candidates in 20 Congressional districts and one U.S. Senate race.³¹ An analysis of the top four Congressional races where 501(c)(4) organizations spent the most money (Districts 1, 18, 19 and 21) indicates that these organizations have become significant players in these elections – in all four races, the margin of victory was less than 7 percent. 501(c)(4) organizations accounted for 11 percent of all election expenditures in these races, suggesting that spending by these social welfare groups may have been a deciding factor in these elections.



³⁰ OpenSecrets.org <http://www.opensecrets.org/outsidespending/summ.php?disp=R> and www.FEC.gov.

³¹ OpenSecrets.org at <http://www.opensecrets.org/outsidespending/summ.php?disp=R>

2012 New York State Congressional Races with the Highest Amount of Spending by Social Welfare Organizations

District 1

Total Spending: \$9,847,703
501(c)4 Spending: \$884,172 (9% of total)
Margin of victory: 13,875 votes (5.0% of total)

District 18

Total Spending: \$10,867,840
501(c)4 Spending: \$984,770 (9% of total)
Margin of victory: 10,459 votes (3.8% of total)

District 19

Total Spending: \$6,272,539
501(c)4 Spending: \$487,679 (8% of total)
Margin of victory: 16,199 votes (5.7% of total)

District 21

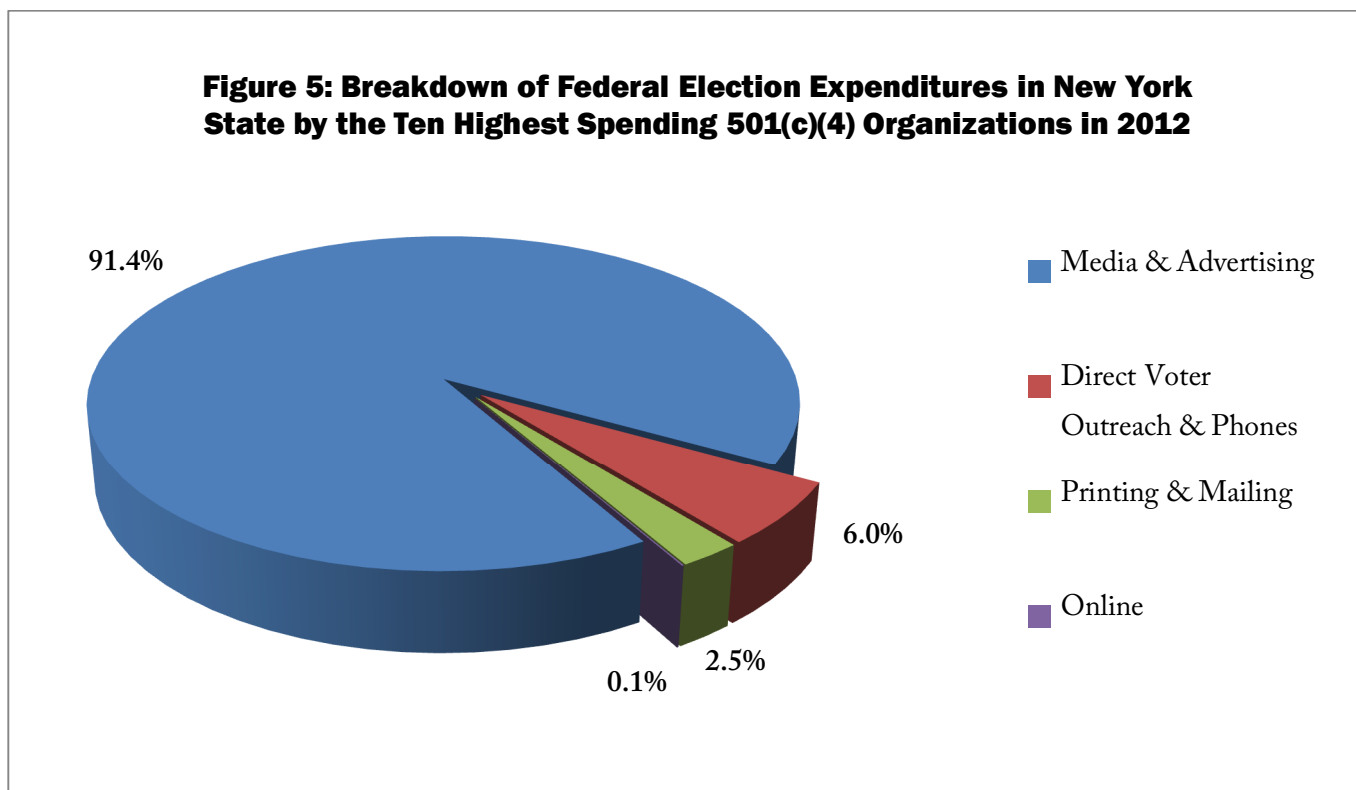
Total Spending: \$7,960,995
501(c)4 Spending: \$1,520,788 (9% of total)
Margin of victory: 4,985 votes (2.0% of total)

Election Spending by 501(c)(4) Organizations is Being Directed Primarily Towards Media & Advertising

Election-related expenditures of the ten highest spending 501(c)(4) organizations in the 2012 New York federal election were analyzed to assess patterns in the activities of these organizations. These ten organizations spent a combined \$6,552,816 in 13 races in 2012 – this accounts for 92% of all federal spending by 501(c)(4) organizations in New York State during the election cycle.³²

According to FEC filings, 91.4% of election-related expenditures by these 501(c)(4) organizations (almost \$6 million) was dedicated to television, radio and other media advertising, such as billboards and newspapers, where disclosure of funding sources is critically important when assessing bias. Direct voter outreach and phone banking came in as a distant second with 6% of total spending.

Type of Expenditure	Amount Spent
Media & Advertising	\$5,990,222
Direct Voter Outreach & Phones	\$395,627
Printing & Mailing	\$161,967
Online	\$5,000
Total:	\$6,552,816



³² <http://www.opensecrets.org/outsidespending/summ.php?disp=R> and FEC.gov.

SPOTLIGHT ON PUBLIC OPINION:

Is Nonprofit Political Spending Helping or Hurting Democracy?

The increase in political spending by outside groups has led to a dramatic rise in negative ads that most Americans abhor. According to Kantar Media's CMAG, 87% of the 1,233,522 presidential campaign ads on broadcast TV and national cable in 2012 were negative.ⁱ Spending in Congressional races mirrored this pattern. Commenting on the high level of negative ads, 78% of Americans polled said they are "mostly frustrated" by the current tone of political discourse, according to a 2012 Knights of Columbus-Marist survey. A majority of Americans (56%) also believe political campaigns lack civility and respect, and 66% believe candidates spend more time attacking their opponents than talking about issues.ⁱⁱ

ⁱ Jonathan Salant, "2012 Campaign Negative as Seemed." Bloomberg, November 15, 2012. Online at <http://go.bloomberg.com/political-capital/2012-11-15/2012-campaign-negative-as-seemed>

ⁱⁱ http://www.kofc.org/un/en/resources/communications/kofc_civility_lost_july_2012.pdf

Most Nonprofit Election Spending Does Not Come from Locally-based Organizations.

Not one of the ten highest-spending 501(c)(4) organizations that were analyzed for this report is based in New York State. As shown in the table on the right, all ten organizations – which were responsible for 92% of all 2012 federal spending by social welfare organizations in New York – are based in Washington, D.C. and Virginia.

501(c)(4) Organization	Headquarters
1. Crossroads GPS	Washington D.C.
2. Americans for Tax Reform	Washington, D.C.
3. Center for Individual Freedom	Alexandria, VA
4. American Action Network	Washington, D.C.
5. 60 Plus Association	Alexandria, VA
6. League of Conservation Voters	Washington, D.C.
7. National Organization for Marriage	Washington, D.C.
8. NRA-Institute for Leg. Action	Fairfax, VA
9. Planned Parenthood Action Fund	Washington, D.C.
10. Susan B. Anthony List	Washington, D.C.

Most 501(c)(4) Organizations Provide Limited – if any – Disclosure of their Political Spending and Donors.

In order to make educated decisions about where to contribute their money, prospective donors need clear information on where their money will be going. Similarly, voters require information about the funders behind election-related ads to assess the independent nature of the content. Whereas the FEC provides a searchable database of federal election spending by 501(c)(4) organizations, if individuals are interested in additional details, they must rely on disclosure through the organization’s IRS Form 990 or website. Moreover, providing information about donors is 100% voluntary. With this in mind, the websites and IRS filings of the ten 501(c)(4) organizations profiled in this report were analyzed to assess the current extent of disclosure on political spending.

Our researchers sought answers to four commonly asked questions:

- Does the organization disclose its engagement in political spending?
- Does the organization disclose the amount of money spent in recent elections?
- Does the organization list which races they spent money on?
- Does the organization disclose their list of donors?

As indicated in the chart below, the vast majority of 501(c)(4) organizations analyzed do not voluntarily disclose what they spend politically or proactively alert prospective donors that they engage in political spending.

	Status as 501(c)4 and contribution not tax deductible	Disclose engagement in political spending	Amount of money spent in recent elections	List of races they spent money on	List of donors
60 Plus Association	✓	✗	✗	✗	✗
American Action Network	✓	**	**	✗	✗
Americans for Tax Reform	✓	**	**	✗	✗
Center for Individual Freedom	✓	✗	✗	✗	✗
Crossroads GPS	✓	**	**	✗	✗

	Status as 501(c)4 and contribution not tax deductible	Disclose engagement in political spending	Amount of money spent in recent elections	List of races they spent money on	List of donors
League of Conservation Voters	✓	✓	✓	✓	✗
National Organization for Marriage	✓	**	**	✗	✗
NRA-Institute for Legislative Action	✓	✗	✗	✗	✗
Planned Parenthood Action Fund	✓	**	**	✗	✗
Susan B. Anthony List	✓	**	**	✗	✗

** = Found on Form 990 but not on website

Only one organization, the League of Conservation Voters, disclosed on its website that it engages in political spending. The organization also disclosed the amount of this spending. The other nine organizations did not disclose information on their websites that they engaged in political spending. In 7 of the 10 organizations, their IRS Form 990 recognized past election spending, however, most of these filings had not been recently updated.³³ Similarly, only one organization, the League of Conservation Voters, disclosed information on their website about the races where they had spent money. None of the other organizations disclosed this information.

Not one of the organizations analyzed listed their donors, large or small, on their website or their Form 990. As stated previously, 501(c)(4) organizations do not have to disclose their donors even when they engage in political spending, unlike 527 independent expenditure groups and political action committees which must disclose their donors and the amounts those donors contribute.

³³ The Form 990 for Crossroads GPS cannot be found on Guidestar.org. ProPublica published the 2011 Form 990 for Crossroads GPS online: <http://www.propublica.org/documents/item/339124-crossroads-gps-990-2011>.

“THE BIG TEN”: 501(C)(4) ORGANIZATIONS WITH THE HIGHEST ELECTION SPENDING IN NEW YORK STATE

The profiles below are based on information collected from each organization’s website, supplemented with information from the Center for Media and Democracy, and data on their federal election spending in New York in 2012.³⁴ Organizations are ranked in descending order based on their total federal election spending in New York.

1	CROSSROADS GRASSROOTS POLICY STRATEGIES (GPS)	
<p>Crossroads Grassroots Policy Strategies, also known as Crossroads GPS, is a right-wing political group created in June 2010 by GOP political operatives and advised by Karl Rove and former Republican National Committee chairman Ed Gillespie to support Republican political candidates.</p> <p>According to their website, Crossroads GPS is "dedicated to the belief that most Americans don't support the big-government agenda being forced upon them by Washington."</p>		
Website: http://www.crossroadsgps.org/		Headquarters: Washington, D.C.
Leadership: Bobby Burchfield – Chairman Sally Vastola – Secretary, Board Member Steven Law – President Steven Duffield – Vice President for Policy		Issues: <ul style="list-style-type: none"> • Energy • Healthcare • Regulation • Spending, Debt, Deficit (Fiscal Cliff) • Taxes • Global Leadership
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
1	\$858,066	Media & Advertising
18	\$264,054	Media & Advertising
19	\$438,880	Media & Advertising
25	\$1,227,058	Media & Advertising
	\$2,788,058	

³⁴ Descriptions sourced from the organizations’ websites and www.sourcewatch.org. FEC data is available online at www.opensecrets.org

2	AMERICANS FOR TAX REFORM	
<p>Americans for Tax Reform (ATR) is a group that pushes for lower taxes. It has close ties to the Republican Party and has frequently allied itself with the tobacco industry. (ATR) describes itself as a group that "believes in a system in which taxes are simpler, flatter, more visible, and lower than they are today. The government's power to control one's life derives from its power to tax. We believe that power should be minimized."</p>		
Website: http://www.atr.org/		Headquarters: Washington, D.C.
<p>Leadership: Grover Norquist – President Christopher Butler – Chief of Staff</p>		<p>Issues:</p> <ul style="list-style-type: none"> • Tax Reform (Flat Rate) • Spending, Debt, Deficit • Regulatory Transparency / Free Market • Tax Free Wireless Services • Healthcare (Individual Controlled) • Energy (Every source of energy should be allowed to compete on a level playing field.) • Property Rights (Physical and Intellectual) • Labor (“Right-to-Work”)
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
18	\$699,129	Media & Advertising
21	\$1,125,924	Media & Advertising
	\$1,825,053	

3	CENTER FOR INDIVIDUAL FREEDOM	
<p>Founded in 1998, the Center for Individual Freedom is a non-partisan, non-profit organization with the mission to protect and defend individual freedoms and individual rights guaranteed by the U.S. Constitution. The Center seeks to focus public, legislative and judicial attention on the rule of law as embodied in the federal and state constitutions.</p>		
Website: http://cfif.org/v/		Headquarters: Alexandria, VA
Leadership: Jeffrey L. Mazzella – President W. Thomas Humber – Founder Renee L. Giachino – Corporate Counsel & Sr. Vice President Virginia E. Sagredo – Senior Vice President Timothy H. Lee – Vice President of Legal & Public Affairs		Issues: <ul style="list-style-type: none"> • Taxes & Economy • Healthcare (repealing the Affordable Care Act) • Energy & Environment • Constitution & Legal • Employment & Labor • Campaign Finance (in favor of Citizens United) • Homeland Security
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
21	\$371,881	Media & Advertising
24	\$357,892	Media & Advertising
	\$729,773	

4		AMERICA ACTION NETWORK	
<p>The American Action Network is a 501(c)(4) that leans center-right and is based on the principles of freedom, limited government, American exceptionalism, and strong national security. The Network welcomes supporters of its center-right values and policy proposals regardless of party affiliation, and works with legislators, government officials, and advocates of either party who are willing to advance policies consistent with the Network's principles.</p>			
Website: http://americanactionnetwork.org/		Headquarters: Washington, D.C.	
Leadership: Board Members – Senator Norm Coleman, Hogan Lovells, Fred Malek, Isaac Applbaum, Dylan Glenn, Ambassador Boyden Gray, Senator Mel Martinez, Congressman Jim Nussle, Congressman Tom Reynolds, Ambassador Gregory Slayton, Congressman Vin Weber		Issues: <ul style="list-style-type: none"> • Economy: Jobs, Budget, Taxes, Trade • Healthcare: ACA, Medicare/Medicaid, Insurers, Providers • Regulation: Cost to comply and paperwork burden 	
Spending in NY for the 2012 Election Cycle by District:			
District	Total for 2012	Purpose	
1	\$16,930	Direct Voter Outreach & Phones	
11	\$16,930	Direct Voter Outreach & Phones	
19	\$16,930	Direct Voter Outreach & Phones	
21	\$16,930	Direct Voter Outreach & Phones	
22	\$93	Direct Voter Outreach & Phones	
24	\$16,930	Direct Voter Outreach & Phones	
25	\$16,930	Direct Voter Outreach & Phones	
27	\$292,715	Direct Voter Outreach & Phones; Media & Advertising	
	\$394,388		

5	60 PLUS ASSOCIATION	
<p>Founded in 1992, the 60 Plus Association is a non-partisan seniors advocacy group with a free enterprise, less government, less taxes approach to seniors issues. 60 Plus has set ending the federal estate tax and saving Social Security for the young as its top priorities. 60 Plus is often viewed as the conservative alternative to the American Association of Retired Persons (AARP).</p>		
Website: http://www.60plus.org/		Headquarters: Alexandria, VA
<p>Leadership: Chairman – James L. Martin President – Amy Noone Frederick National Spokesman – Pat Boone</p>		<p>Issues:</p> <ul style="list-style-type: none"> • The Death Tax (a.k.a. the inheritance tax) • Energy • Health Care • Social Security • Spending
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
18	\$1,087	Direct Voter Outreach & Phones
19	\$1,341	Direct Voter Outreach & Phones
21	\$1,388	Direct Voter Outreach & Phones
24	\$328,251	Direct Voter Outreach & Phones; Media & Advertising
25	\$1,024	Direct Voter Outreach & Phones
26	\$13,822	Direct Voter Outreach & Phones
27	\$1,758	Direct Voter Outreach & Phones
	\$348,671	

6	LEAGUE OF CONSERVATION VOTERS
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The League of Conservation Voters (LCV) is a national non-profit organization that works to turn environmental values into national priorities. LCV advocates for sound environmental policies, electing pro-environment candidates who will adopt and implement such policies, and provides state LCVs with the resources and tools to accomplish and sustain their mission.

Website: http://www.lcv.org/	Headquarters: Washington, D.C.
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<p>Leadership:</p> <p>Gene Karpinski – President</p> <p>Patrick Collins – Senior Vice President, Finance & Administration</p> <p>Navin Nayak – Senior Vice President, Campaigns</p> <p>Mike Palamuso – Vice President, Communications</p> <p>Tiernan Sittenfeld – Senior Vice President, Government Affairs</p> <p>Rich Thomas – General Counsel & Senior Vice President</p> <p>Ed Zuckerman – Senior Vice President, State Capacity Building</p>	<p>Issues:</p> <ul style="list-style-type: none"> • The Clean Air Act • Clean Energy • Clean Water • Global Warming • Hardrock Mining • Holding Big Oil Accountable • Open Spaces • Toxic Chemicals • Transportation • Wildlife
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Spending in NY for the 2012 Election Cycle by District:

District	Total for 2012	Purpose
13	\$22,181	Direct Voter Outreach & Phones; Media & Advertising
24	\$209,127	Direct Voter Outreach & Phones; Media & Advertising; Online
	\$231,308	

7	NATIONAL ORGANIZATION FOR MARRIAGE	
<p>The National Organization for Marriage (NOM) is a nonprofit organization with a mission to protect marriage and the faith communities that sustain it. They define this as “the union of husband and wife”. Consistent with its 501(c)(4) nonprofit status, NOM works to develop political messaging, build its national grassroots email database of voters, and provide political intelligence and donor infrastructure on the state level, with a focus on developing new strategies for increasing influence in the Northeast and West Coast.</p>		
Website: http://www.nationformarriage.org/		Headquarters: Washington, D.C.
Leadership: Brian S. Brown – President Dr. John C. Eastman – Chairman of the Board Maggie Gallagher – Co-Founder Robert P. George – Chairman Emeritus		Issues: <ul style="list-style-type: none"> • Marriage (preventing same-sex marriage)
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
Senate	\$26,017	Direct Voter Outreach & Phones
9	\$52,608	Direct Voter Outreach & Phones; Printing & Mailing
26	\$5,778	Direct Voter Outreach & Phones
	\$84,403	

8	NRA-INSTITUTE FOR LEGISLATIVE ACTION	
<p>Established in 1975, the Institute for Legislative Action (ILA) is the "lobbying" arm of the National Rifle Association of America. ILA is responsible for preserving the right of all law-abiding individuals in the legislative, political, and legal arenas, to purchase, possess and use firearms for legitimate purposes as guaranteed by the Second Amendment to the U.S. Constitution.</p>		
Website: http://www.nraila.org/		Headquarters: Fairfax, VA
Leadership: Chris Cox – Executive Director		Issues: <ul style="list-style-type: none"> • 2nd Amendment to the U.S. Constitution • Gun Laws • Hunters Rights
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
1	\$9,176	Direct Voter Outreach & Phones; Printing & Mailing
19	\$30,528	Direct Voter Outreach & Phones; Printing & Mailing
21	\$4,658	Printing & Mailing
24	\$32,895	Direct Voter Outreach & Phones; Printing & Mailing
	\$77,257	

9	PLANNED PARENTHOOD ACTION FUND
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The Planned Parenthood® Action Fund is the nonpartisan advocacy and political arm of Planned Parenthood Federation of America. The Action Fund engages in educational and electoral activity, including legislative advocacy, voter education, and grassroots organizing to promote the Planned Parenthood mission.

Website: www.plannedparenthoodaction.org	Headquarters: Washington, D.C.
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Leadership: Cecile Richards – President, Planned Parenthood Federation of America and Planned Parenthood Action Fund Cecilia Guthrie Boone – Chair, Planned Parenthood Federation of America	Issues: <ul style="list-style-type: none"> • Women’s Health • Healthcare Reform • Birth Control and other preventive care • Sex Education • Abortion Access • Global Reproductive Health Policy • Opposing Attacks on Women’s Health
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Spending in NY for the 2012 Election Cycle by District:		
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District	Total for 2012	Purpose
18	\$20,500	Direct Voter Outreach & Phones; Printing & Mailing
24	\$15,500	Direct Voter Outreach & Phones
26	\$2,060	Direct Voter Outreach & Phones
	\$38,060	

10	SUSAN B. ANTHONY LIST	
<p>The Susan B. Anthony List, and its connected Political Action Committee, the SBA List Candidate Fund, are dedicated to electing candidates and pursuing policies that will reduce and ultimately end abortion. To that end, the SBA List emphasizes the election, education, promotion, and mobilization of pro-life women.</p>		
Website: http://www.sba-list.org/		Headquarters: Washington, D.C.
Leadership: Marjorie Dannenfelser – President Marilyn Musgrave – Vice President of Government Affairs Emily Buchanan – Executive Vice President Amanda Robey – Vice President of Development		Issues: <ul style="list-style-type: none"> • Electing anti-abortion candidates for Congress • Broader social conservative issues
Spending in NY for the 2012 Election Cycle by District:		
District	Total for 2012	Purpose
Senate	\$9,305	Printing & Mailing
24	\$26,540	Printing & Mailing
	\$35,845	

RECOMMENDATIONS

1. **Regulations are needed immediately to close loopholes in the law** which allow 501(c)(4) organizations to spend on elections without disclosing their political activities and donors. The absence of these regulations combined with IRS inaction has led to blurring of the lines between 501(c)(4) organizations, 527 independent expenditure groups, and political action committees (PACs and Super PACs). If 501(c)(4)s are to engage in elections in the same manner as these political entities, disclosure regulations must match. Disclosure requirements should include specific information about the organization's election related expenditures along with information about contributors if their contributions were not restricted to non-political purposes. Recognizing concerns of threats due to association with controversial issues, donors and nonprofits should be able to request a waiver due to risk of harassment or harm. These disclosures provide essential information not only to voters, but also to prospective donors, who need to know where their money is going.
2. **Disclosure of political activities and donors should occur at the state and/or local level where reforms can be quickly enacted and increased political spending poses the greatest threat to democratic participation.** Recognizing the dramatic increase in election spending by 501(c)(4) organizations in recent years – and the potential of this spending to dramatically undermine the democratic process in low dollar races at the state and local level – state and municipal governments should not wait for the IRS to enact reforms. Rather, they should support immediate reform to protect against undue influence from out-of-state entities.
3. **State charities bureaus must take a leadership role in protecting prospective donors against deception by requiring all nonprofits to disclose their political spending and donors.** Research suggests that nonprofit organizations are not voluntarily disclosing their political activities and as such, prospective donors have limited means to know where their donations are going. Charities bureaus can play an important role in helping to address this information gap by providing a one-stop-shop for information on local, state and federal election spending. Easily accessible data of this kind will also enable regulatory agencies to more effectively hold organizations accountable to our tax laws.