Information Paper

CCMRA 527 Status Contribution and Expenditure Reporting Requirements

<https://www.irs.gov/instructions/i8872>

<https://mec.mo.gov/WebDocs/PDF/Press/EthicsGuide2024.pdf>

<https://revisor.mo.gov/main/OneChapter.aspx?chapter=130>

1. The CCMRA 8871 Political Organization Notice of Section 527 Status was filed February 2, 2023.
2. The recorded purpose of the organization (Exempt Function): Proactively identify, support/influence Missouri legislation and Missouri Republican Candidates and Elected Office Holders of Christian County who uphold the core beliefs of the Republican Party.
3. Internal Revenue Code Section 527 Status was approved as of March 23, 2023
4. Every section 527 political organization that accepts a contribution or makes an expenditure for an exempt function during the calendar year must file Form 8872, except:

A qualified state or local political organization. *(A qualified state or local political organization is a political organization that meets the following requirements.)*

* The organization's exempt functions are solely for the purpose of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any state or local political office or office in a state or local political organization.
* The organization is subject to state law that requires it to report information that is similar to that required on Form 8872.
* The organization files the required reports with the state.
* The state makes such reports public, and the organization makes them open to public inspection in the same manner that organizations must make Form 8872 available for public inspection.
1. The IRS Form 8872 Political Organization Report of Contributions and Expenditures is a Quarterly Report that tracks all contributions and expenditures individually. The report must be filed by each quarterly deadline electronically.
2. Per the exceptions in item 4 above The Missouri Ethics Commission (MEC) would be the appropriate instrument to report CCMRA Contributions and Expenditures.
3. According to the MEC, Campaign finance disclosure is required when individuals, groups, and committees, receive contributions (monetary or in-kind) and/or make

expenditures (paid or incurred) to support or oppose candidates or ballot measures. The law requires record-keeping and reporting of these activities. These disclosure requirements create transparency and accountability.

* Contribution—§ 130.011(12), RSMo: A donation of money (also known as a monetary contribution) or anything of value (also known as an in-kind contribution) given to support or oppose a candidate or ballot measure. Contributions include gifts, loans, and a candidate’s own money used in support of their candidacy (with specific exceptions noted in the law). *NOTE: Per the MEC Help Desk: Individual Membership fees paid to a nonprofit political organization seeking to influence elections or ballot initiatives are considered contributions to the organization and must be reported if the total aggregate contributions exceed the monetary threshold of $500.*
* Expenditure—§ 130.011(16), RSMo: A payment made to support or oppose a candidate or ballot measure. Expenditures must be recorded and reported at the time they are made or incurred. Incurred expenditures are expenses that a candidate or committee promises to pay in one reporting period, but actually pays in another. *NOTE: Per the MEC Help Desk: Membership fees paid/forwarded to a nonprofit political organization seeking to influence elections or ballot initiatives are considered expenditures to the organization and must be reported if the total aggregate expenditures exceed the monetary threshold of $500.*
1. What is a committee? (See § 130.011, RSMo, for full definitions of “committee” and “person”) A committee is a person or group of people who accepts contributions (monetary or in-kind) or makes expenditures (paid or incurred) to influence the action of voters by supporting or opposing candidates and/or ballot measures or to pay a previous campaign debt. Once money spent or received exceeds certain monetary thresholds, a committee must be formed and registered with the MEC.
2. The monetary threshold that would require the establishment of a committee and file reports with the MEC are as follows: Total contributions received exceed $500 and/or total expenditures exceed $500.
3. Which type of committee should be formed? The CCMRA would be a Continuing Committee, also known as a Political Action Committee/PAC because we are formed to remain in existence beyond any one election/ballot issue, directed by someone other than a candidate.

An **Employer Identification Number (EIN)**, also known as a **business tax ID**, is a unique nine-digit number that plays a crucial role for organizations. While some businesses are **required** to obtain an EIN, there are **benefits** to having one even if it’s not mandatory. Let’s explore why an organization with an EIN might want to apply for tax status with the IRS:

1. **Tax Reporting and Filings**: Having an EIN allows you to **properly report and file taxes** for your business. Whether you’re a sole proprietor, corporation, or multi-member LLC, an EIN simplifies the process of submitting tax returns.
2. **Business Separation**: An EIN helps **separate your business finances** from your personal finances. This distinction is essential for **accounting and bookkeeping** purposes. By keeping these aspects separate, you maintain clarity and organization.
3. **Liability Protection**: If your organization faces legal issues or lawsuits, having an EIN can **limit personal liability**. It establishes a clear boundary between your personal assets and those of your business.
4. **Business Transactions**: An EIN is necessary for various business transactions, such as:
	* **Opening a Business Checking Account**: Most banks require an EIN to set up a business account.
	* **Applying for Business Loans**: Lenders often ask for your EIN during loan applications.
	* **Registering as a Business Entity**: Whether you’re a sole proprietor or a corporation, an EIN is essential for legal recognition.
	* **Inheriting or Buying a Business**: If you acquire an existing business, an EIN is crucial.
5. **Tax-Exempt Status**: Nonprofit organizations, charities, and other tax-exempt entities must apply for an EIN. This unique number is linked to their tax-exempt status. It’s also necessary for state and local reporting.
6. **State and Local Agencies**: An EIN is used to identify your organization in dealings with **state and local agencies**. Whether you’re applying for permits, licenses, or other business-related matters, having an EIN streamlines the process.

In summary, while some businesses are legally required to obtain an EIN, all organizations can benefit from having one. It’s a valuable tool that simplifies financial management, protects against liability, and facilitates various business activities.

Once a **political nonprofit organization** (commonly known as a **Political Action Committee or PAC**) receives their **Employer Identification Number (EIN)**, the next crucial steps in obtaining tax exemption involve complying with specific requirements set by the **Internal Revenue Service (IRS)**. Let’s explore these steps:

1. **File Form 8871 (Initial Notice)**:
	* After receiving your EIN, file **Form 8871**, which serves as the **initial notice** to the IRS that your organization intends to operate as a tax-exempt political organization.
	* This form provides essential details about your PAC, including its purpose, activities, and leadership.
2. **File Form 8872 (Contributions & Expenditures Report)**:
	* Most tax-exempt political organizations, including PACs, have a requirement to file periodic reports on **Form 8872** with the IRS.
	* Form 8872 discloses contributions received and expenditures made by the PAC. It helps maintain transparency in political financing.
	* To file electronically, use the **“Political Organization Filing and Disclosure”** link provided by the IRS.
3. **Annual Reporting Requirements**:
	* Tax-exempt political organizations whose annual gross receipts are **$25,000 or more** must also file **Form 990** with the IRS.
	* Form 990 provides detailed financial information about the organization, including its revenue, expenses, and activities.
	* [Some exceptions apply, such as certain caucuses or associations of state or local officials](https://www.irs.gov/charities-non-profits/political-organizations)[1](https://www.irs.gov/charities-non-profits/political-organizations)[2](https://donorbox.org/nonprofit-blog/pac-fundraising)[3](https://www.irs.gov/charities-non-profits/political-organizations/political-organization-annual-reporting-requirements-political-organizations-required-to-file-form-990).
4. **Understand Political Taxable Income**:
	* PACs are subject to taxation under **IRC section 527**.
	* If your PAC spends any amount for an **exempt function** (within the meaning of Code section 527), it must file **Form 1120-POL** for any year with political taxable income.
	* [Political organizations must include in gross income the lesser of their exempt function expenditures or other relevant amounts](https://www.irs.gov/charities-non-profits/political-organizations)[4](https://www.irs.gov/charities-non-profits/political-activities-of-exempt-organizations).

Remember that maintaining compliance with reporting requirements is crucial for retaining tax-exempt status. Seek professional advice if needed, and ensure your PAC follows all necessary steps to operate transparently and within legal bounds.

According to the **Missouri Ethics Commission (MEC)**, an **expenditure** is defined as a **payment, advance, conveyance, deposit, donation, or contribution of money or anything of value for the purpose of supporting or opposing candidates or ballot measures**. [These expenditures should be reported at the time they are either made or incurred1](https://www.mec.mo.gov/WebDocs/PDF/Misc/MEC%20Ethics%20Guide%202021%20-%20Final%20Web%20PDF.pdf)[2](https://www.mec.mo.gov/WebDocs/PDF/Misc/Amendment%203%2012-29-2022.pdf).

[However, it’s important to note that **per diem payments for work done for a political subdivision** (such as a legislative or governing body) are **not considered expenditures**3](https://www.mec.mo.gov/WebDocs/PDF/Misc/2020%20Ethics%20Guide.pdf). So, while payments to organizations that influence legislation or endorse candidates generally fall under the definition of expenditures, there are exceptions based on the context and nature of the payment.

The Missouri Ethics Commission (MEC) collects employer and occupation information for contributions for several important reasons: ***Transparency and Accountability:*** By recording the contributor’s employer and occupation, the MEC ensures transparency in the political process. Citizens have the right to know who is financially supporting political candidates and causes. This information helps prevent hidden influence or conflicts of interest. ***Identifying Potential Conflicts of Interest:*** The MEC uses this data to identify any potential conflicts of interest. For example, if a candidate receives significant contributions from individuals associated with a specific industry, it may raise questions about their impartiality when making decisions related to that industry. ***Enforcement of Contribution Limits:*** Missouri has contribution limits for political campaigns. Knowing the employer and occupation of contributors helps enforce these limits. It prevents individuals from circumventing the rules by making multiple small contributions under different names. ***Compliance with Reporting Requirements:*** Campaign finance laws require detailed reporting of contributions. Collecting employer and occupation information ensures accurate reporting and allows the public to verify the legitimacy of contributions.