

**Annual Form Filing Requirements for Section 527 Organizations  
Frequently Asked Questions  
Updated October 22, 2010**

**Questions about Form 1120-POL**

**1. What is Form 1120-POL?**

[Form 1120-POL](#) is the annual income tax return for political organizations.

**2. Who has to file Form 1120-POL?**

A political organization with [taxable income](#) after taking the \$100 specific deduction for the taxable year must file Form 1120-POL.

**3. When is Form 1120-POL due?**

Form 1120-POL is due on the 15th day of the 3rd month following the end of the political organization's taxable year. For organizations on a calendar year, Form 1120-POL is due on March 15th of the following year.

**Additional information:**

[Return Due Dates for Miscellaneous Returns and Reports Filed by Exempt Organizations](#)

**4. May a political organization request an extension of time for filing Form 1120-POL?**

Yes, the organization may request an automatic six-month extension by filing [Form 7004](#), *Application for Automatic Extension of Time to File Corporate Income Tax Return*, by the due date of Form 1120-POL.

**5. Does a political organization report the contributions it receives on Form 1120-POL?**

A tax-exempt political organization does not report its contributions or any other [exempt function income](#) on Form 1120-POL. Only [taxable income](#) (generally the investment income of the political organization) is reported on the Form 1120-POL (see [Reporting by Organization Not Required to File Form 8871](#) for what non-exempt political organizations report on Form 1120-POL).

**6. May a political organization deduct the salaries, rents and other expenses it incurs for its political campaign activity on Form 1120-POL?**

No, the political organization may only deduct those expenses that are directly related to earning taxable income. For example, the organization may not deduct the salary of its campaign director. However, if the political organization hires a broker to manage its stock portfolio, it can deduct that expense from the taxable dividend and capital gain income derived.

**7. What does a political organization that is not exempt because it did not file Form 8871 report on Form 1120-POL?**

In addition to reporting its investment income as discussed in [Exempt Function Income Reporting Not Required](#), the political organization reports its exempt function income

(contributions, etc.) as other income (line 7 on the 2009 form). It may deduct the expenses directly related to earning that income (such as fundraising expenses), but may not deduct its political campaign expenses.

**8. What if the political organization fails to file Form 1120-POL?**

A political organization that fails to file a required Form 1120-POL timely must pay an additional amount equal to 5 percent of the tax due for each month (or partial month) the return is late up to a maximum of 25 percent of the tax due, unless the organization shows that the failure was due to reasonable cause.

**9. What if a political organization fails to pay the tax shown on Form 1120-POL?**

A political organization that fails to timely pay the tax shown or required to be shown on Form 1120-POL, must pay an additional amount equal to 0.5 percent of the unpaid tax for each month (or partial month) the tax is not paid up to a maximum of 25 percent of the unpaid tax, unless the organization shows that the failure was due to reasonable cause.

**10. Are Forms 1120-POL filed by political organizations publicly available?**

No, Forms 1120-POL filed by political organizations are not required to be made available for public inspection by either the Service or the organization.

**Questions about Forms 990 and 990-EZ**

**1. What is Form 990?**

[Form 990](#), *Return of Organization Exempt From Income Tax*, is the annual information return for tax-exempt organizations, including political organizations.

**2. What is Form 990-EZ?**

[Form 990-EZ](#) is the short form of the annual information return for exempt organizations, including political organizations. A political organization required to file Form 990 that has not exceeded thresholds for total gross receipts during the year and total assets at the end of the year may file Form 990-EZ instead of the Form 990. See [Filing Phase-In](#) for more information about the thresholds.

**3. Who has to file Form 990?**

Tax-exempt political organizations whose annual gross receipts are \$25,000 or more must file Form 990, unless excepted. Any organization excepted from the [requirements to file a Form 8871](#) and any political organization that is a caucus or association or state or local officials are excepted from the Form 990 filing requirement. [Qualified state or local political organizations](#) are only required to file Form 990 if they have annual gross receipts of \$100,000 or more.

**Note:** Organizations whose gross receipts during the year and total assets at the end of the do not exceed certain thresholds may file Form 990-EZ instead of Form 990. See [Political Organizations That May File Form 990-EZ](#) for more information.

**4. Does a tax-exempt political organization whose annual gross receipts are normally \$25,000 or more have to file a Form 990 for any year in which its annual gross receipts are less than \$25,000?**

No. Unlike other exempt organizations, a tax-exempt political organization does not use the three-year averaging test to determine whether it meets the \$25,000 threshold. The organization should indicate the amount of its gross receipts in the header area of the return (Item G), because the IRS may otherwise correspond with the organization regarding the filing of Form 990. Note that the \$25,000 filing threshold is increased to \$100,000 for [qualified state or local political organizations](#).

**5. When is Form 990 due?**

Form 990 is due on the 15th day of the 5th month following the end of the organization's taxable year. For organizations on a calendar year, the Form 990 is due on May 15th of the following year.

**Additional information**

[Return Due Dates for Exempt Organizations Annual Returns](#)

**6. May a political organization request an extension of the due date for filing Form 990?**

Yes, the organization may request an automatic three-month extension, without showing cause, by [filing Form 8868](#), *Application for Extension of Time to File an Exempt Organization Return*, by the due date of Form 990. A second three-month extension, with cause, may also be requested using Form 8868.

**7. How does a political organization report its income in Parts I and VIII of Form 990?**

That an item of income is treated as a contribution for purposes of election law reporting does not necessarily mean it is reported as a contribution on Form 990. Instead, the political organization must determine the various types of income it has and report each type on the appropriate lines in Parts VIII and I of Form 990. For example, membership dues and assessments are reported on line 1h, Part I, of the 2009 return, whereas political fundraising or entertainment event income is generally reported as income from fundraising events on line 1c. Unlike Form 1120-POL, all income of the political organization is reported on the Form 990 (including contributions (line 1)) and taxable income (such as interest and dividends (line 10 of the 2009 form)).

**8. Does a political organization need to identify contributions as being from federated campaigns, membership dues, fundraising events, related organizations, government grants (see line 1 of the 2009 return)?**

No, a political organization may report all of its contributions on the total line (1h of the 2009 Form 990) without breaking out federated campaign contributions, membership dues, fundraising events, contributions from related organizations, and government grants. It does need to identify contributions as cash or non-cash.

**9. Does a political organization report as a contribution in Part I of Form 990 the value of the use of materials, equipment or facilities provided by a connected organization that is not required to be reported as a contribution under federal election law?**

No.

**10. Does a political organization have to answer all of the questions in Part V of Form 990?**

The organization must answer yes or no, to each of the questions in Part V. But it need not attach schedules or statements specifically required for other types of exempt organizations (for example, section 501(c)(3) organizations). Thus, for example, a political organization will answer *No* to question 73, lines e and f, because that question addresses personal benefit contracts, which section 527 organizations generally do not provide. Because it answers *no*, the organization need not file the forms referred to in the instructions to Part V for organizations answering yes.

**11. How does a political organization report a loan?**

A political organization reports a loan with repayment obligations in Part X of Form 990 as an account payable (line 17 on the 2009 form) or as a loan from an officer, etc. (line 5).

**12. How does a political organization report its expenses in Part IX of Form 990?**

A political organization reports all its expenses (including its political campaign expenses) in Part IX, Column A of Form 990. It does not need to allocate these expenses among columns B (program services); C (management and general); and D (fundraising expenses).

**13. How does a political organization that makes contributions to candidates or other political organizations report them in Part IX of Form 990?**

Contributions to candidates or other political organizations are reported as grants (line 2, Part IX of the 2009 form).

**14. Does a political organization need to report joint costs in Part IX of Form 990?**

No, a political organization does not need to report joint costs in Part IX of Form 990 because it is not required to allocate expenses between program services, management and general, and fundraising costs.

**15. How should a political organization describe its exempt purpose in Part III of Form 990?**

The exempt purpose of a political organization is to engage in political campaign activity. An organization may want to be more specific in describing its purpose. For example, a candidate committee may describe its purpose as "To elect X to Congress" while an environmental PAC may describe its purpose as "To elect candidates who support environmental issues."

**16. How would a political organization describe its program service accomplishments in Part III of Form 990?**

Part III of Form 990 provides an opportunity for a political organization to describe its activities and how they further its exempt purpose. In some cases, this will be fairly straightforward. For example, a candidate committee's program service accomplishment would be conducting the campaign to elect X to Congress. In other cases, particularly for those organizations that engage in indirect as well as direct political campaign activities, a political organization may use this section to describe how various activities are intended to influence elections.

**17. What does a political organization report in Part VII of Form 990?**

Internal Revenue Code section 527 does not require political organizations to be organized with boards of directors, officers and trustees, but if the political organization is organized in this way, it must provide the names, addresses, title, average hours worked and compensation of those officers, directors and trustees, key employees, highest compensated employees, and independent contractors.

**18. Does a political organization have to report the compensation of one of its officers, directors, trustees or key employees that is paid by a related organization?**

In general, a political organization must report on [Form 990](#), Part VII (and on [Schedule J](#), if Schedule J is required) the compensation of its officers, directors, trustees, and key employees that is paid by [related organizations](#). A political organization need not report reportable compensation of less than \$10,000 from a related organization on Part VII (though it must be reported on Schedule J, if Schedule J is required). A political organization need not report compensation from certain for-profit related organizations if the officer, director, trustee, or key employee serves the political organization on a volunteer basis.

**19. What is a *related organization* for purposes of reporting compensation paid by related organizations on Form 990?**

A related organization is any organization that meets one of the following tests:

- Fifty percent or more of the political organization's officers, directors, trustees or key employees are also officers, directors, trustees or key employees of the other organization.
- The political organization appoints fifty percent or more of the other organization's officers, directors, trustees or key employees.
- Fifty percent or more of the political organization's officers, directors, trustees or key employees are appointed by the other organization.

**20. Does a political organization need to complete Part VIII of Form 990?**

A political organization completes only column (A), reporting its gross receipts for all sources of revenue. A political organization does not complete columns (B) through (D), because the political organization is subject to tax under Code section 527 rather than under the [unrelated business income tax provisions](#) of section 511-514.

**21. What does a political organization report on Schedule R of Form 990?**

If the political organization owns more than fifty percent or more of any taxable subsidiary or disregarded entity (partnership or limited liability company), it must report the name,

address, employer identification number, activities, and income and assets of the entity, along with the percentage the political organization owns of the entity. It must also report this information for certain nonprofit organizations. See the instructions to Schedule R for more information.

**22. What does a political organization report in Part X of Form 990?**

Part X of Form 990 is the basic balance sheet of the political organization at the beginning and the end of the year. The political organization reports its cash and other assets, any liabilities and its retained earnings.

**23. Does a political organization need to complete Schedule A of Form 990?**

No.

**24. Does a political organization complete Schedule B of Form 990?**

Yes, if the political organization received contributions from any one person aggregating \$5,000 or more for the year. Note, however, that a political organization [need not report on Schedule B](#) information about contributors for which information need not be reported on Form 8872.

**25. What if the political organization fails to file Form 990?**

A political organization that fails to file a required Form 990 or fails to include required information on those returns is subject to a penalty of \$20 per day for every day such failure continues. The maximum penalty imposed regarding any one return is the lesser of \$10,000 or 5 percent of the gross receipts of the organization for the year. In the case of an organization having gross receipts exceeding \$1,000,000 for any year, the penalty is increased to \$100 per day with a maximum penalty of \$50,000.

**26. Are Forms 990 filed by tax-exempt political organizations publicly available?**

Yes, Forms 990 filed for taxable years beginning after June 30, 2000, including contributor information reported on Schedule B, will be made available for public inspection by the Service. In addition, each political organization must make a copy of these returns, including contributor information reported on Schedule B, available for public inspection during regular business hours at its principal office (and any regional or district offices having at least three paid employees) [in the same manner](#) as Internal Revenue Code section 501(c) organizations provide copies of their annual returns.

[Penalty for organization's failure to disclose](#)

**27. What if the tax-exempt political organization does not make its Forms 990 publicly available?**

A penalty of \$20 per day may be imposed on any person with a duty to comply with the public inspection requirements for each day a failure to comply continues. The maximum penalty that may be incurred for any failure to disclose any one return is \$10,000.