Form **1120-POL**

Department of the Treasury
Internal Revenue Service

U.S. Income Tax Return for Certain Political Organizations

▶ **For Paperwork Reduction Act Notice, see instructions on page 2**
▶ **To be filed by those organizations having taxable income (line 19)**

OMB No. 1545-0129

1987

For calendar year 1987 or tax year beginning , 1987, and ending , 19

Note: If you are a section 501(c) organization (see instruction B3) or a separate segregated fund described in section 527(f)(3), check here ▶ ☐

Please print or type

Name of organization	**Employer identification number**
Number and street	Date organization formed
City or town, state, and ZIP code	(See instruction C4) If this is a principal campaign committee, and this is the ONLY political committee, check here . . ▶ ☐ If this is a principal campaign committee, but is NOT the only political committee, check here and attach a copy of designation. . . . . ▶ ☐

Enter name of candidate ▶ _____ The books are in care of ▶ _____

Located at ▶ _____ Telephone No. ▶ _____

Check applicable boxes: (1) ☐ Final return (2) ☐ Change in address (3) ☐ Amended return

Income

1	Dividends (attach schedule)	1	
2	Interest	2	
3	Gross rents	3	
4	Gross royalties	4	
5	Capital gain net income (attach Schedule D (Form 1120))	5	
6	Net gain or (loss) from Part II, Form 4797 (attach Form 4797)	6	

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—We ask for this information to carry out the Internal Revenue laws of the United States. We need it to ensure that taxpayers are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

A. Purpose of Form.—Form 1120-POL is used to report the taxable income and income tax liability of political organizations, newsletter funds, and certain exempt organizations.

B. Filing Form 1120-POL.—Who Must File

1. A political organization, that is, a party, committee, association, fund (including a separate segregated fund described in section 527(f)(3) set up by a section 501(c) organization), or other organization, organized and operated primarily for the purpose of accepting contributions or making expenditures, or both, to influence the selection, nomination, election, or appointment of any individual to any public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, must file Form 1120-POL if such organization has any political organization taxable income.

2. A newsletter fund, that is, a fund established and maintained by an individual who holds, has been elected to, or is a candidate (as defined in section 527(g)(3)) for nomination or election to any Federal, state, or local elective public office for use by such individual exclusively for the preparation and circulation of such individual's newsletter, must file Form 1120-POL if it has political organization taxable income.

3. Under section 527(f), certain organizations described in section 501(c) and exempt from tax under section 501(a) must file Form 1120-POL if they:

(i) expend any amount during the tax year directly or through another organization for an exempt function (as defined in instruction C3 below), and

(ii) have political organization taxable income.

Note: *A separate segregated fund maintained by a section 501(c) organization is treated as a separate entity and is taxed like an ordinary political committee. For more information, see section 527(f), Regulations section 1.527-6, and the definitions in instruction C below.*

When To File

In general, an organization must file Form 1120-POL by the 15th day of the 3rd month after the end of the tax year.

Extensions.—File **Form 7004,** Application for Automatic Extension of Time To File Corporation Income Tax Return, to request an automatic 6-month extension of time to file Form 1120-POL.

Period Covered.—File the 1987 return for calendar year 1987 and for fiscal years that begin in 1987 and end in 1988. For a fiscal year return, fill in the tax year space at the top of the form.

Where To File

If the political organization's main office is located in: ▼	Use the following Internal Revenue Service Center address ▼
New Jersey, New York (New York City and counties of Nassau, Rockland, Suffolk, and Westchester)	Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, Minnesota, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA 39901
Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX 73301
Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO 64999
Arkansas, Indiana, North Carolina, Tennessee, Virginia	Memphis, TN 37501
Alaska, Arizona, California (counties of Alpine, Amador, Butte, Calveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba), Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT 84201
California (all other counties), Hawaii	Fresno, CA 93888
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA 19255

Signature

The return must be signed and dated by the president, vice-president, treasurer, assistant treasurer, chief accounting officer, or any other officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of an organization.

If an organization officer filled in Form 1120-POL, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares Form 1120-POL and does not charge the organization, that person should not sign the return. Certain others who prepare Form 1120-POL should not sign. For example, a regular, full-time employee of the organization, such as a clerk, secretary, etc., does not have to sign.

Generally, anyone who is paid to prepare Form 1120-POL must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give a copy of Form 1120-POL to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045,** Information for Tax Practitioners, for more details.

C. Definitions

1. Political Organization Taxable Income.—a. For political organizations (as defined in instruction B1 above), including separate segregated funds, taxable income is the excess of:

(1) gross income for the tax year (excluding any exempt function income as defined in instruction C2 below) over

(2) the deductions allowed that are directly connected with the production of gross income (excluding exempt function income) computed with the following modifications:

(a) a specific deduction of $100 is allowed;

(b) no net operating loss deduction (section 172) is allowed; and

(c) no deduction under Part VIII of subchapter B (special deductions for corporations) is allowed.

See Regulations sections 1.527-4 and 1.527-5.

b. For newsletter funds, taxable income is computed as shown above except that the specific deduction of $100 is not allowed.

c. For section 501(c) organizations, taxable income is the lesser of:

(1) the amount expended during the tax year directly or through another organization for an exempt function (as defined in instruction C3 below), or

(2) the net investment income of the organization for the tax year. Net investment income, for this purpose, means the gross amount of interest, dividends, rents, and royalties plus the excess (if any) of gains from the sale or exchange of assets over the losses from the sale or exchange of assets, over the deductions directly connected with the production of this income.

Both of these amounts are computed with the modifications described in instruction C1a(2) above.

Note: *In computing political organization taxable income, section 501(c) organizations should exclude those items taken into account for the tax imposed by section 511.*

2. Exempt Function Income.—Exempt function income is any amount received as:

a. contributions of money or other property;

b. membership dues, fees, or assessments from members of the political organization;

c. proceeds from a political fundraising or entertainment event, or proceeds from the sale of political campaign materials, if such amounts are not received in the course of a trade or business; or

d. proceeds from conducting a bingo game as defined in section 513(f)(2).

These amounts are exempt function income only to the extent that they are segregated for use only for the exempt function of the political organization.

See Regulations section 1.527-3.

3. Exempt Function.—a. For political organizations other than newsletter funds, the term "exempt function" means the

function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, state, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not the individual or electors are selected, nominated, elected, or appointed. See Regulations section 1.527-2(c).

b. For newsletter funds, the "exempt function" consists solely of the preparation and circulation of the newsletter.

4. Principal Campaign Committee.—A principal campaign committee is the political committee designated by a candidate for Congress as his or her principal campaign committee for purposes of section 302(e) of the Federal Election Campaign Act of 1971.

If a candidate for Congress elects to make a designation under section 527(h), he or she shall designate his or her principal campaign committee by attaching a copy of his or her Statement of Candidacy to Form 1120-POL. This can be either the Federal Election Commission Form 2, or an equivalent statement filed with the Federal Election Commission. This designation may also be made by attaching a signed statement containing the following information:

(1) the name and address of the candidate;

(2) the candidate's taxpayer identification number;

(3) the candidate's party affiliation and the office sought;

(4) the district and state in which the office is sought; and

(5) the name and address of the principal campaign committee.

Note: *This designation must be attached to Form 1120-POL and may be made only by a candidate for Congress. If a designation is in effect from an earlier tax year, attach a copy of the earlier designation to this year's Form 1120-POL and check the appropriate box on the form. See Regulations section 1.527-9.*

If there is only one political committee with respect to a candidate, no designation is required. However, be sure to check the appropriate box on page 1 of Form 1120-POL.

D. Figuring and Paying the Tax

1. Accounting

Accounting Methods.—Taxable income must be computed using the method of accounting regularly used in keeping the organization's books and records. In all cases, the method used must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits otherwise, the organization may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on **Form 3115,** Application for Change in Accounting Method. Also see **Publication 538,** Accounting Periods and Methods.

Change in Accounting Period.—Before changing an accounting period, the Commissioner's approval must be obtained (Regulations section 1.442-1). Approval can be applied for by filing **Form 1128,** Application for Change in Accounting Period. Also see Publication 538.

2. Depositary Method of Tax Payment.—The organization must pay the tax due in full within 2½ months after the end of the tax year.

Deposit organization income tax payments with a Federal Tax Deposit Coupon (Form 8109). Be sure to darken the "1120" box on the coupon. If you do not receive these coupons, please contact your IRS district office. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the geographic area where the organization is located. Do not submit deposits directly to an IRS office; otherwise, the organization may be subject to a failure to deposit penalty. Records of deposits will be sent to IRS for crediting to the organization's account. See the instructions contained in the coupon book for more information.

In order for us to better process your deposits, please write your employer identification number, the type of tax paid, and the tax period to which the deposit applies on your check.

For more information concerning deposits, see **Publication 583,** Information for Business Taxpayers.

3. Penalties.—Avoid penalties and interest by filing correctly and paying the tax when due. The organization may have to pay the following penalties unless it can show that failure to file or to pay was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charged on unpaid tax at a rate determined under section 6621.)

A political organization that fails to file its tax return when due (including any extensions of time for filing) may be subject to a penalty of 5% a month or fraction of a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.) The minimum penalty for failure to file a tax return within 60 days of the due date for filing (including extensions) is the lesser of the underpayment of tax or $100.

A political organization that fails to pay the tax when due may be subject to a penalty of ½% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

Penalty for Overstated Tax Deposits.—If deposits are overstated, the organization may be subject to a penalty. See section 6656(b).

Specific Instructions

Attachments.—To assist us in processing the return, we ask that you complete every applicable entry space on Form 1120-POL. Please do not write "See attached" in lieu of completing the entry spaces.

If more space is needed on forms or schedules, attach separate sheets to the back of Form 1120-POL. Indicate at the top of each attachment the form number or schedule letter of the form or schedule being continued. Show the information called for in the same order as on the printed form. Be sure to show totals on the printed forms.

Please use sheets that are the same size as the forms and schedules. Attach these separate sheets after all the forms and schedules. Also put the organization's name and employer identification number (EIN) on each sheet.

Rounding Off to Whole-Dollar Amounts.—Money items may be shown on the return and accompanying schedules as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

Employer Identification Number.—All political organizations (including separate segregated funds described in section 527(f)(3) and newsletter funds) must use an employer identification number.

An organization that does not have an EIN should apply for one on **Form SS-4,** Application for Employer Identification Number. This form may be obtained at most IRS or Social Security Administration offices. Send Form SS-4 to the same Internal Revenue Service Center to which Form 1120-POL is mailed. If the EIN has not been received by the filing time for Form 1120-POL, write "Applied for" in the space for the EIN.

Final Return, Change of Address, Amended Return.—If this is a final return, or the organization's address has changed since the previous return was filed, or you are filing an amended return, check the appropriate block.

Income and Deductions.—Campaign contributions and other exempt function income are not includible in income; likewise, campaign expenditures and other exempt function expenditures are not deductible. Generally, to be deductible in computing political organization taxable income, expenses must be directly connected with the production of political organization taxable income. In those cases where expenses are attributable to the production of both exempt function income and political organization taxable income, the expenses should be allocated on a reasonable and consistent basis; only the portion allocable to the production of political organization taxable income may be deducted.

Line 7, Other income.—Enter the total income from other sources, such as income received in the course of an ordinary trade or business. Attach a schedule listing all income included on line 7.

Lines 17(a) and 17(b), Taxable income.—Complete these lines only if your organization is a section 501(c) organization. For a description of the amounts to be entered on these lines, see the definition of taxable income for section 501(c) organizations in instruction C1c above.

Line 17(c), Taxable income.—Political organizations, newsletter funds, and separate segregated funds: Subtract line 16 from line 8 and enter the result on line 17(c). Section 501(c) organizations enter on line 17(c) the lesser of line 17(a) or line 17(b).

Line 20, Income tax.—The rate of tax imposed depends on: (a) whether the political organization is a principal campaign committee as defined in section 527(h) and instruction C4 above; (b) the taxable year of the organization; and (c) whether or not the alternative tax applies.

Net Capital Gain and Alternative Tax.—If your organization's tax year begins before July 1, 1987, and your organization has a net capital gain on line 10, Schedule D (Form 1120), the alternative tax computation may apply. Alternative tax is the sum of (1) a partial tax on taxable income less the net capital gain, and (2) a tax computed at the rate of 34% on the net capital gain. Compute the partial tax using Schedule A (if your organization is not a principal campaign committee) or Schedule B (if your organization is a principal campaign committee). Compute the alternative tax on Part IV, Schedule D (Form 1120), and enter the lesser of the alternative tax or the regular tax on line 20, Form 1120-POL.

Political organization not a principal campaign committee.—*Calendar year 1987 filers and other filers whose tax year begins before July 1, 1987:* Compute your tax as follows:

Schedule A

1. Taxable income from line 19, Form 1120-POL. . . . . _____
2. Net capital gain (if alternative tax applies, enter the net capital gain from line 10, Schedule D (Form 1120); if alternative tax does not apply, enter zero) . . . . . _____
3. Subtract line 2 from line 1 . . _____
4. Line 3 × 46% . . . . . _____
5. Line 3 × 34% . . . . . _____
6. Line 4 × (number of days in tax year before 7-1-87 / total number of days in tax year) _____
7. Line 5 × (number of days in tax year after 6-30-87 / total number of days in tax year) _____
8. Add lines 6 and 7. Enter here and on line 20 of Form 1120-POL. If alternative tax applies, enter on line 12, Schedule D (Form 1120) . . _____

Fiscal year filers whose tax year begins after June 30, 1987: Multiply line 19, Form 1120-POL by 34% to figure your tax under section 527(b)(1). Enter the result on line 20, Form 1120-POL.

Principal campaign committee (section 527(h)).—*Calendar year filers and other filers whose tax year begins before July 1, 1987:* Compute your tax by completing Schedule B, Parts I, II, III, and, if alternative tax applies,Part IV, Schedule D (Form 1120).

Fiscal year filers whose tax year begins after June 30, 1987: Compute your tax by completing Schedule B, Part II, only; enter the amount from line 30, Schedule B, on line 20, Form 1120-POL.

Schedule B

Part I. Tax Computation for Period Before July 1, 1987:

1. Taxable income from line 19, Form 1120-POL . . . . _____
2. Net capital gain (if alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120); if alternative tax does not apply, enter zero) . _____
3. Subtract line 2 from line 1 . _____
4. Enter the smaller of line 3 or $25,000 . . . . . _____
5. Subtract line 4 from line 3 . _____
6. Enter the smaller of line 5 or $25,000 . . . . . _____
7. Subtract line 6 from line 5 . _____
8. Enter the smaller of line 7 or $25,000 . . . . . _____
9. Subtract line 8 from line 7 . _____
10. Enter the smaller of line 9 or $25,000 . . . . . _____
11. Subtract line 10 from line 9 . _____
12. Line 4 × 15% . . . . . _____
13. Line 6 × 18% . . . . . _____
14. Line 8 × 30% . . . . . _____
15. Line 10 × 40% . . . . . _____
16. Line 11 × 46% . . . . . _____
17. If line 3 is greater than $1,000,000, enter the lesser of: 5% of the excess over $1,000,000; or $20,250 . . _____
18. Add lines 12 through 17 . . _____

Part II. Tax Computation for Period After June 30, 1987:

19. Taxable income from line 19, Form 1120-POL . . . . _____
20. Net capital gain (if alternative tax applies, enter net capital gain from line 10, Schedule D (Form 1120); if alternative tax does not apply, enter zero) . _____
21. Subtract line 20 from line 19. _____
22. Enter the smaller of line 21 or $50,000 . . . . . _____
23. Subtract line 22 from line 21. _____
24. Enter the smaller of line 23 or $25,000 . . . . . _____
25. Subtract line 24 from line 23 _____
26. Line 22 × 15% . . . . . _____
27. Line 24 × 25% . . . . . _____
28. Line 25 × 34% . . . . . _____
29. If line 21 is greater than $100,000, enter the lesser of: 5% of the excess over $100,000; or $11,750 . . _____
30. Add lines 26 through 29 . . _____

Part III. Tax Computation:

31. Line 18 × (number of days in tax year before 7-1-87 / total number of days in tax year) _____
32. Line 30 × (number of days in tax year after 6-30-87 / total number of days in tax year) _____
33. Add lines 31 and 32. Enter here and on line 20, Form 1120-POL. If alternative tax applies, enter on line 12, Schedule D (Form 1120) . . _____

Note: *Estimated tax, alternative minimum tax, and environmental tax do not apply to political organizations.*

Line 21, Credits.—The organization may qualify for any of the following credits:

Foreign tax credit. See **Form 1118,** Computation of Foreign Tax Credit—Corporations.

Possessions tax credit. See **Form 5712,** Election to be Treated as a Possessions Corporation Under Section 936, and **Form 5735,** Computation of Possessions Tax Credit Allowed Under Section 936.

Research credit. See **Form 6765,** Credit for Increasing Research Activities, and section 41.

Credit for fuel produced from a nonconventional source. See section 29 for a definition of qualified fuels, provisions for figuring the credit, and other special rules.

Alcohol fuel credit. See **Form 6478,** Credit for Alcohol Used as Fuel, and section 40.

Enter the total amount of credits on line 21 and attach the appropriate forms.

Note: *Investment credit and jobs credit do not apply to political organizations.*

Additional Information

Foreign Financial Accounts and Foreign Trusts.—

Question 1: Check the "Yes" box if either 1 or 2 below applies to the organization. Otherwise check the "No" box.

1. At any time during the year the organization had an interest in or other authority over a bank account, securities account, or other financial account in a foreign country, AND

- The combined value of the accounts was more than $10,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

2. The organization owns more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get form **TD F 90-22.1**, Report of Foreign Bank and Financial Accounts, to see if the organization is considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If "Yes" is checked for Question 1, file form TD F 90-22.1 by June 30, 1988, with the Department of the Treasury at the address shown on the form. Form TD F 90-22.1 is not a tax return, so do not attach it to Form 1120-POL.

Form TD F 90-22.1 can be obtained from IRS Forms Distribution Centers.

Also, if you checked "Yes," write the name of the foreign country or countries. Attach additional sheets if more space is needed.

Question 2: Check the "Yes" box if the organization was a grantor of, or a transferor to, a foreign trust that existed during this tax year.

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