

**U.S. Income Tax Return
 for Certain Political Organizations**
 To be filed by those organizations having taxable income (line 19).
 (Under Section 527 of the Internal Revenue Code)

1977

For calendar year 1977 or other taxable year beginning _____, 1977 and ending _____, 19__.

Note: If you are a section 501(c) organization and described in instruction A.3, check here .

Please print or type	Name of organization	Employer identification number (see instruction O)
	Number and street	Date organization formed
	City or town, State and ZIP code	Were the required forms 1087, 1096, and 1099 filed? <input type="checkbox"/> Yes <input type="checkbox"/> No

Enter name of candidate
 The books are in care of Telephone No.
 Located at

Important—Fill in all applicable lines and schedules.

Gross Income	1 Dividends (attach schedule)	1	
	2 Interest on obligations of the United States and U.S. instrumentalities	2	
	3 Other interest	3	
	4 Gross rents	4	
	5 Gross royalties	5	
	6 (a) Capital gain net income from line 9, Schedule D	6(a)	
	(b) Net gain or (loss) from line 9, Part II, Form 4797 (attach Form 4797)	6(b)	
	7 Other income (see "Note" in instruction D—attach schedule)	7	
8 Total income (add lines 1 through 7)	8		

Deductions	9 Salaries and wages	9	
	10 Repairs	10	
	11 Rents	11	
	12 Taxes (attach schedule)	12	
	13 Interest	13	
	14 Depreciation from Form 4562 (attach Form 4562), less depreciation claimed elsewhere on the return Balance <input type="checkbox"/>	14	
	15 Other deductions (attach schedule)	15	
	16 Total deductions (add lines 9 through 15)	16	
	17 Taxable income before specific deduction of \$100 (line 8 less line 16). (Section 501(c) organizations show: (a) amount of net investment income (see Instruction A3(b)(ii)) <input type="checkbox"/>, (b) aggregate amount expended for an exempt function (attach schedule) <input type="checkbox"/>, and enter on line 17, the lesser of (a) or (b))	17	
	18 Less specific deduction of \$100 (not allowed for newsletter funds defined under section 527(g))	18	
19 Taxable income (line 17 less line 18)	19		

Tax	20 Total tax (from line 10 of Schedule A)	20	
	21 Credits: (a) Tax deposited with Form 7004 (attach copy)		
	(b) Tax deposited with Form 7005 (attach copy)		
	(c) Credit from regulated investment companies (attach Form 2439)	21	
22 Tax due (line 20 less line 21). See instruction I for depository method of payment	22		
23 Overpayment (line 21 less line 20)	23		

Foreign Accounts and Foreign Trusts	1 Did you, at any time during the taxable year, have any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution)? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," see instruction T.
	2 Were you the grantor of, or transferor to, a foreign trust during any taxable year, which foreign trust was in being during the current taxable year, whether or not you have any beneficial interest in such trust? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," you may be required to file Forms 3520, 3520-A, or 926.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which the preparer has any knowledge.

Signature of officer _____ Date _____ Title _____	Paid preparer's signature and identifying number (see instructions) _____ Paid preparer's address (or employer's name, address and identifying number) _____
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Schedule A.—Tax Computation Schedule

Table with 10 rows for tax computation. Rows include: 1 Taxable income, 2 46% of the first \$25,000, 3 48% of taxable income in excess of \$25,000, 4 Total of lines 2 and 3, 5 Income tax, 6 (a) Work incentive credit, (b) Foreign tax credit, 7 Total of lines 6(a) and (b), 8 Line 5 less line 7, 9 Tax from recomputing a prior year WIN credit, 10 Total tax.

Schedule D.—Capital Gains and Losses

Part I Short-term Capital Gains and Losses—Assets Held 9 Months or Less

Table with 6 columns: a. Kind of property and description, b. Date acquired, c. Date sold, d. Gross sales price, e. Cost or other basis and expense of sale, f. Gain or (loss) (d less e). Includes rows for unused capital loss carryover and net short-term capital gain or loss.

Part II Long-term Capital Gains and Losses—Assets Held More Than 9 Months

Table with 6 columns: a. Kind of property and description, b. Date acquired, c. Date sold, d. Gross sales price, e. Cost or other basis and expense of sale, f. Gain or (loss) (d less e). Includes row for net long-term capital gain or loss.

Part III Summary of Schedule D Gains and Losses

Table with 3 rows: 7 Enter excess of net short-term capital gain over net long-term capital loss, 8 Enter excess of net long-term capital gain over net short-term capital loss, 9 Total of lines 7 and 8.

Part IV Alternative Tax Computation

Table with 16 rows for alternative tax computation. Rows include: 10 Taxable income, 11 Excess of net long-term capital gain over net short-term capital loss, 12 Line 10 less line 11, 13 46% of the first \$25,000, 14 48% of taxable income in excess of \$25,000, 15 30% of line 11, 16 Alternative tax.

Schedule K.—Record of Federal Tax Deposits Tax Class Number 503 (List Deposits in Order of Date Made—See Instruction I)

Table with 8 columns: Date of deposit, Amount, Date of deposit, Amount, Date of deposit, Amount, Date of deposit, Amount.

Schedule L.—Balance Sheets

	Beginning of Taxable Year		End of Taxable Year	
	(A) Amount	(B) Total	(C) Amount	(D) Total
Assets				
1 Cash: (a) Savings and interest-bearing accounts				
(b) Other				
2 Accounts receivable net				
3 Notes receivable net (attach schedule)				
4 Inventories				
5 Government obligations: (a) U.S. and instrumentalities				
(b) State, subdivisions thereof, etc.				
6 Investments in nongovernment bonds, etc, (attach schedule)				
7 Investments in corporate stocks (attach schedule)				
8 Loans:				
(a) Mortgage loans (number of loans ► _____)				
(b) Other loans (attach schedule)				
9 Other investments (attach schedule)				
10 Depreciable (depletable) assets (attach schedule):				
(a) Held for investment purposes				
(b) Less accumulated depreciation				
(c) Held for campaign purposes				
(d) Less accumulated depreciation				
11 Land: (a) Held for investment purposes				
(b) Held for campaign purposes				
12 Other assets (attach schedule)				
13 Total assets				
Liabilities				
14 Accounts payable				
15 Contributions, gifts, grants, etc. payable				
16 Mortgages and notes payable (attach schedule)				
17 Other liabilities (attach schedule)				
18 Total liabilities				
Net Worth (Fund Balances)				
19 Principal Fund				
.				
20 Income Fund				
.				
21 Total Net Worth (Fund Balances)				
22 Total liabilities and Net Worth (line 18 plus line 21)				

Schedule M.—Analysis of Changes in Net Worth

1 Total net worth at beginning of year—line 21, column (B), Schedule L	1	
2 Enter amount from line 17, page 1	2	
3 Nontaxable income from contributions	3	
4 Nontaxable income from other sources	4	
5 Other increases not included above (itemize) ►		
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.		
6 Total (add lines 1 through 5)	5	
7 Campaign expenses	6	
8 Expenses attributable to other nontaxable income	7	
9 Other decreases not included above (itemize) ►	8	
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10 Total of lines 7, 8 and 9	9	
11 Total net worth at end of year (line 6 less line 10)—line 21, column (D), Schedule L	10	
	11	

General Instructions

(References are to the Internal Revenue Code.)

A. Who Must File Form 1120-POL.—

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 taxable income (defined in C below).

2. A newsletter fund (as described in section 527(g)) must file Form 1120-POL if it has political organization taxable income. Taxable income is the same as described in C below with these modifications:

- (a) the \$100 specific deduction is not allowed and
- (b) the exempt function shall be only the preparation and circulation of the newsletter.

For further information, see section 527(g).

3. (a) 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 taxable year directly (or through another organization) for an exempt function (defined in E below) and
- (ii) have taxable income.

(b) For purposes of a section 501(c) organization, taxable income shall be an amount equal to the lesser of:

- (i) the aggregate amount expended during the taxable year for an exempt function (defined in E below) or
- (ii) the net investment income of such organization for the taxable year. Net investment income, for this purpose, means the gross amount of interest, dividends, rents, 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 the above amounts are computed by taking into account the modifications described in C.2. below.

Section 501(c) organizations will not take into account items taken into account for purposes of the tax imposed by section 511.

(c) If a section 501(c) organization sets up a separate segregated fund (section 527(f)(3)), the taxable income of such fund will be determined in accordance with instruction C.

For further information, see section 527(f).

B. Tax Imposed.—The tax imposed consists of a normal tax and surtax computed as provided in section 11 as though the political organization were a corporation and as though the political organization taxable income was the taxable income referred to in section 11. The surtax exemption (section 11(d)) is not allowed.

C. Taxable Income.—

Note: Campaign contributions are not includible in income; expenditures for campaign purposes are not deductible.

Taxable income is the excess of:

1. gross income for the taxable year (excluding any exempt function income which is defined below) over
2. the deductions allowed which 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) a net operating loss deduction (section 172) is not allowed, and
- (c) a deduction under part VIII of subchapter B (relating to special deductions for corporations) is not allowed.

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

1. contributions of money or other property,
 2. membership dues, fees, or assessments from members of the political organization, or
 3. proceeds from a political fund-raising or entertainment event, or proceeds from the sale of political campaign materials, which are not received in the ordinary course of any trade or business,
- to the extent such amount is segregated for use only for the exempt function of the political organization.

Note: Income received in the course of an ordinary trade or business is to be included in line 7, "other income," page 1.

E. Exempt Function.—For purposes of section 527, 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 such individual or electors are selected, nominated, elected or appointed.

F. Where to File.—

If the political organization's main office is located in	Use this address
New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Internal Revenue Service Center Holtsville, NY 00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Internal Revenue Service Center Atlanta, GA 31101
Michigan, Ohio	Internal Revenue Service Center Cincinnati, OH 45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Internal Revenue Service Center Austin, TX 73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center Ogden, UT 84201
Illinois, Iowa, Missouri, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999
California, Hawaii	Internal Revenue Service Center Fresno, CA 93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Internal Revenue Service Center Memphis, TN 37501
Delaware, District of Columbia, Maryland, Pennsylvania	Internal Revenue Service Center Philadelphia, PA 19255

G. When to File.—In general, Form 1120-POL must be filed on or before the 15th day of the 3rd month after the end of the taxable year.

You may request an automatic 3-month extension of time to file Form 1120-POL by filing Form 7004.

Form 7005 may be used to request an additional extension but only by organizations that have previously obtained an automatic 3-month extension by filing Form 7004.

H. Period to be Covered by 1977 Return.—File the 1977 return for calendar year 1977 and fiscal years beginning in 1977 and ending in 1978. If the return is for a fiscal year, fill in the taxable year space on the form.

I. Depository Method of Tax Payment.—The balance of the tax due (line 22) must be paid in full when the return is filed or in two installments, 50% by the 15th day of the 3rd month and 50% by the 15th day of the 6th month after the end of the taxable year.

Organization income tax payments must be deposited at an authorized commercial bank depository or Federal Reserve Bank or Branch (FRB), with a Federal Tax Deposit Form preinscribed with a Tax Class Number 503, in accordance with instructions appearing on the reverse of that form. Deposits made at a FRB must be made with the FRB servicing the geographic area where a taxpayer is located. The deposit must be made in a form of payment that the receiving FRB considers to be an im-

mediate credit item. Additional information can be obtained from a commercial bank or FRB. Each deposit must be accompanied by a Federal Tax Deposit Form preinscribed with a Tax Class Number 503. Do not remit directly to Internal Revenue. Records of deposits will be sent to Internal Revenue for crediting to the organization's account.

The timeliness of deposits will be determined by date received by a commercial bank depository or FRB. If a tax payment is made by mail, a deposit received after the due date will be considered timely if the taxpayer establishes that it was mailed on or before the second day before the prescribed due date as provided by section 7502. Tax deposits made at FRBs which are **not** in compliance with deposit requirements will nevertheless be processed by the receiving FRB rather than returned to the taxpayer. Furthermore, such tax payments received by an FRB will be dated as paid based upon the date when the proceeds of the accompanying payment instrument are collected by the FRB, and if made by mail, section 7502 will not apply.

Organizations needing Federal Tax Deposit Forms preinscribed with a Tax Class Number 503 may obtain them from the Internal Revenue Service Center where they will file their returns. The application should include the organization's name, identification number, address, and the taxable year to which the deposits relate.

In Schedule K, list all Tax Class Number 503 deposits that relate to the taxable year for which this return is filed and which were made before or simultaneously with the filing of this return.

J. Change in Accounting Period.—To change your accounting period, see section 1.442-1 of the regulations and Form 1128, Application for Change in Accounting Period.

K. 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 adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits, you may not change the method of accounting used to report income in prior years (for income as a whole or for any material item) without first obtaining consent on Form 3115, Application for Change in Accounting Method.

L. Rounding Off to Whole-dollar Amounts.—The money items may be shown as whole-dollar amounts by eliminating any amount less than 50 cents and increasing any amount from 50 cents through 99 cents to the next higher dollar.

M. Attachments.—If more space is needed on forms or schedules, attach separate sheets. Attach schedules in alphabetical order and forms in numerical order to the back of Form 1120-POL. Be sure to put the taxpayer's name and employer identification number on these separate sheets.

N. 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.

An individual who prepares Form 1120-POL for pay must manually sign the return as preparer. Signature stamps or labels are not acceptable. If someone prepares Form 1120-POL for free, that person does not have to sign that return.

If more than one person prepares the return, the individual preparer with the primary responsibility for the overall accuracy of the return must sign as preparer. The preparer required to sign the return shall also enter his or her social security number to the right of that signature. If the preparer is self-employed, he or she must write "SE" to the right of the preparer's social security number.

If the individual is paid by another to prepare (or is a partner in a partnership preparing) Form 1120-POL, the payer's (or partnership's) name and identification number must be entered below the preparer signature line. (Special rules apply to identification numbers for foreign tax return preparers. Such preparers should see sections 1.6109-2(a) and 301.7701-15(a)(5) of the regulations.)

The return must also show, below the preparer's signature, the address of the preparer's place of business where the preparation of the return was completed. However, if this place of business is not maintained on a year-round basis, the return should show the address of such preparer's principal business location which is maintained on a year-round basis or, if none, the preparer's residence.

The preparer must give the taxpayer a copy of Form 1120-POL in addition to the copy filed with IRS. Employers, partnerships, and self-employed preparers must file Form 5717, Annual List of Income Tax Return Preparers.

Note: A \$25 penalty may be charged a paid preparer who does not give the taxpayer a copy of Form 1120-POL in addition to the copy filed with IRS. A penalty may also be charged a preparer required to sign who does not show an original sig-

nature or a photocopy of the original signature in the space provided. A penalty may be charged a self-employed preparer who does not show his or her identifying number in the space provided.

If the individual is paid by another to prepare (or is a partner in a partnership preparing) Form 1120-POL, the payer or partnership may be charged a penalty if the return does not show the individual's social security number and the payer's (or partnership's) employer identification number.

If Form 1120-POL is prepared by the taxpayer's regular, full-time employee, such as a clerk, secretary or bookkeeper, or by the taxpayer's partner (if an individual), that person is not subject to the above rules.

O. Identifying Number.—All political organizations (including separate segregated funds described in section 527(f)(3) and newsletter funds) must use an employer identification number. If you do not have an employer identification number for the political organization, apply for one from your Internal Revenue Service Center on Form SS-4, available from any Internal Revenue or Social Security Administration district office.

P. Penalties.—

Avoid penalties and interest by correctly filing and paying the tax when due.

1. A political organization that fails to file its tax return by the prescribed due date including any extensions of time for filing may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed.

2. A political organization that fails to pay the tax when due may be subject to a penalty of 1/2% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid.

The penalties mentioned above are imposed on the net amount due—see section 6651(a)(1) and (2).

The above penalties will not be imposed if the political organization can show that the failure to file or to pay was due to reasonable cause and not to willful neglect.

The penalties are in addition to the interest charge imposed on unpaid tax at a rate established pursuant to section 6621.

Q. Possession Tax Credit.—See Form 5712 for rules on how to elect to claim the possession tax credit (section 936). Compute the credit on Form 5735 and include the amount of the credit in the total for line 7, Schedule A (Form 1120-POL) if applicable. Write in the margin next to the

entry on line 7, the amount of the credit and identify it as being a section 936 credit.

R. Estimated Tax, Minimum Tax and Investment Credit.—Estimated tax, minimum tax and investment credit do not apply to political organizations defined in section 527.

S. Financial Statements.—Section 501 (c) organizations do not have to complete Schedules L and M.

T. Foreign Bank, Securities and Other Financial Accounts.—If at any time during the taxable year, you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country or were a grantor of, or transferor to a foreign trust, which trust was in being during the taxable year, you must check the appropriate Yes box(es) in questions 1 and 2. (If you own more than 50 percent of the stock in any corporation that owns one or more foreign bank accounts, you must check the Yes box for question 1.)

If you had any interest in or signature or other authority over a bank, securities, or other financial account in a foreign country (except in a U.S. military banking facility operated by a U.S. financial institution), you must file Treasury Department Form 90-22.1, Report of Foreign Bank, Securities, and Other Financial Accounts.

This form, which is due before July 1, 1978, should be filed with the U.S. Treasury Department at P.O. Box 28309, Central Station, Washington, D.C. 20005.

Form 90-22.1, which replaces Internal Revenue Service Form 4683, U.S. Information Return on Foreign Bank, Securities and Other Financial Accounts, and Foreign Trusts, may be obtained from Internal Revenue Service offices or by writing to the above address.

Instructions for Schedule D

This schedule provides for the reporting of sales or exchanges of capital assets. Every sale or exchange of property must be reported even though no gain or loss is indicated.

For reporting sales or exchanges of property other than capital assets including the sale or exchange of property used in a trade or business and involuntary conversions (section 1231), see Form 4797 and related instructions.

Capital Assets.—The Tax Reform Act of 1976 increased the holding period for long-term capital gains and losses from more than 6 months to more than 9 months for taxable years beginning in 1977 and more than one year for taxable years beginning in 1978 and after.

For amounts received from an installment sale, the holding period rule in effect in the year of sale will determine the treatment of the amounts received as long-term or short-term gain.

Gains and losses on futures transactions (but not options on futures transactions) in any agricultural commodity subject to the rules of a board of trade or commodity exchange will retain the more than 6-month holding period rule for long-term treatment. See section 1222.

Each item of property held by a political organization (whether or not connected with a trade or business) is a capital asset except:

1. inventorable assets or property held primarily for sale to customers;
2. depreciable or real property used in a trade or business;
3. certain copyrights, literary, musical, or artistic compositions, letters or memorandums, or similar property;
4. accounts or notes receivable acquired in the ordinary course of trade or business for services rendered or from the sale of property described in (1) above;
5. certain short-term Federal, State, and municipal obligations; and
6. a publication of the United States Government (including the Congressional Record) which is received from the United States Government or any agency thereof, other than by purchase at the price at which it is offered for sale to the public, and which is held by (a) a taxpayer who so received such publication, or (b) a taxpayer in whose hands the basis of such publication is determined, for purposes of determining gain from a sale or exchange,

in whole or in part by reference to the basis of such publication in the hands of a taxpayer described in 6(a).

Capital Losses.—Capital losses are allowed only to the extent of capital gains. A net capital loss, however, may be carried back three years and forward five as a short-term capital loss. The capital loss may be carried back only to the extent it does not increase or produce a net operating loss in the taxable year to which it is being carried.

Under the provisions of section 6411, a quick refund of the tax overpayment created by the capital loss carryback may be obtained by filing Form 1139.

Basis.—In determining gain or loss, the basis of property will generally be its cost. However, where the political organization receives appreciated property after May 7, 1974, then the basis of this property will be the same as it would be in the hands of the transferor, increased by the amount of gain recognized to the transferor.

Exchange of "Like Kind" Property.—Although no gain or loss is recognized when property held for productive use in a trade or business or for investment (not including stock in trade or other property held primarily for sale, nor stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest) is exchanged solely for property of a "like kind" to be held either for productive use in a trade or business or for investment, you must report the transaction on Schedule D or Form 4797, whichever is applicable. If Schedule D is applicable, identify the property disposed of in column (a). Enter the date of acquisition in column (b) and write the date of exchange in column (c). Write "like kind exchange" in column (d) and enter the adjusted basis in column (e). Enter zero in column (f). (See section 1031.)

Alternative Tax Computation.—If you have an excess of net long-term capital gain over net short-term capital loss, compute the tax using the alternative method (Part IV) to determine if the resulting tax is less than the tax computed using the regular method.