

**U.S. Income Tax Return
for Certain Political Organizations**

1986

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

For calendar year 1986 or other tax year beginning _____, 1986 and ending _____, 19

Note: If you are a section 501(c) organization (see instruction A3) or a separate segregated fund described in section 527(f)(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	(See instruction B2) 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. ▶ _____

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	
	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	12	
	13 Interest	13	
	14 Depreciation from Form 4562 (attach Form 4562)	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)) _____ b an aggregate amount expended for an exempt function (attach schedule) _____ 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 (subtract line 18 from line 17)	19		
Tax	20 Income tax (see instruction B)	20	
	21 Credits (see instruction R)	21	
	22 Total tax (subtract line 21 from line 20)	22	
	23 Credits: a Tax deposited with Form 7004 _____ b Credit from regulated investment companies (attach Form 2439) _____	23	
	24 Tax due (subtract line 23 from line 22). See instruction I for depositary method of payment	24	
	25 Overpayment (subtract line 22 from line 23)	25	

Foreign Financial Accounts and Foreign Trusts	1 At any time during the tax year, did you have an interest in or a signature or other authority over a financial account in a foreign country (such as a bank account, securities account, or other financial account)? (See instruction S) ☐ Yes ☐ No If "Yes," write the name of the foreign country ▶ _____
	2 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? ☐ Yes ☐ No If "Yes," you may have to file Form 3520, 3520-A, or 926.

Please Sign Here	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 preparer has any knowledge.		
	Signature of officer	Date	Title

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed ☐	Preparer's social security no.
	Firm's name (or yours, if self-employed) and address	E.I. No.	ZIP code	

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. 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 consists solely of the preparation and circulation of the newsletter.

For further information, see section 527(g) and Regulations section 1.527-7.

Note: The Tax Reform Act of 1986 added a new definition of "candidate" to section 527(g). See section 527(g)(3) for more information.

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 tax year directly (or through another organization) for an exempt function (defined in E below), and
 - (ii) have taxable income.
- (b) For a section 501(c) organization, taxable income is the lesser of:
- (i) the amount expended during the tax year for an exempt function (defined in E below), or
 - (ii) 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 C2 below.

Section 501(c) organizations exclude those items taken into account for 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 the fund is determined as described in C below.

For more information, see section 527(f) and Regulations section 1.527-6.

B. Income Tax.—The tax imposed depends on whether the political organization is considered a principal campaign committee (defined in instruction B2 below).

1. Political organization not a principal campaign committee.—Calendar year 1986 taxpayers and fiscal year filers whose tax year ends on or before June 30, 1987: Multiply line 19 by 46% to figure your tax under section 527(b)(1). Calendar year filers may use Schedule D (Form 1120) to compute alternative tax on capital gains if it applies. Fiscal year filers, see "Alternative Tax and Fiscal Year Filers," below. Enter the lesser of alternative tax or the tax imposed by section 527(b)(1) on Form 1120-POL, line 20.

Taxpayers with fiscal years which include July 1, 1987: Compute your tax as follows:

- a. Line 19 × 46% _____
- b. Line 19 × 34% _____
- c. Line a × $\frac{\text{number of days in tax year before 7/1/87}}{\text{total number of days in tax year}}$ _____
- d. Line b × $\frac{\text{number of days in tax year after 6/30/87}}{\text{total number of days in tax year}}$ _____
- e. Add lines c and d _____

Enter on line 20, Form 1120-POL, the lesser of alternative tax or the amount on line e, above.

Alternative Tax and Fiscal Year Filers:

Due to changes made by the Tax Reform Act of 1986, all fiscal year filers (regardless of when their tax year ends) must use a special computation for computing alternative tax under sec. 1201. For all fiscal year 1986-87 filers who are not principal campaign committees, alternative tax is the sum of (a) a tax computed on taxable income reduced by the net capital gain using the highest rate of tax specified in sec. 11(b), and (b) a tax computed on the net capital gain using the applicable alternative tax rate. (To compute (b), see the worksheet under "Net Capital Gain and Alternative Tax," below.)

2. Principal campaign committee (section 527(h)).—A principal campaign committee means the political committee designated only 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) name and address of the candidate for Congress;
- (2) taxpayer identification number;
- (3) party affiliation and the office sought;
- (4) district and State in which the office is sought; and
- (5) 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 the form.

A principal campaign committee is subject to a lower rate of tax than other political organizations.

Note: The Tax Reform Act of 1986 changed the rates of tax and the tax brackets applicable to principal campaign committees. The Act also changed the method of computing alternative tax on capital gains. As a result, all filers whose tax years begin in 1986 and end in 1987 must use the Fiscal Year Tax Computation Schedule below to compute their tax. Calendar year 1986 filers, use the following schedule:

If the amount on line 19 is:		The tax is—		Of the amount over—
Over—	But not over—			
0	\$25,000	15%		0
\$25,000	50,000	\$3,750 + 18%		\$25,000
50,000	75,000	8,250 + 30%		50,000
75,000	100,000	15,750 + 40%		75,000
100,000	-----	25,750 + 46%		100,000

For taxable income over \$1,000,000, an additional tax is imposed at the rate of 5% of the excess over \$1,000,000, or \$20,250, whichever is less. Calendar year 1986 filers may compute alternative tax on Schedule D (Form 1120) to see if it is less than the tax figured at the graduated rates above. Enter the lesser of alternative tax or the tax figured at the graduated rates on line 20.

Fiscal year 1986-87 filers may not use Schedule D to compute alternative tax. For principal campaign committee fiscal year filers, alternative tax is the sum of (a) a tax computed on taxable income reduced by the net capital gain, using the applicable tax brackets and rates, and (b) a tax computed on the net capital gain using the applicable alternative tax rate. (See the worksheet under "Net Capital Gain and Alternative Tax" below for this part of the computation.) If a political organization has net capital gain, it should use the alternative method (sec. 1201) to see if the resulting tax is less than the tax figured using the regular method.

Fiscal Year Tax Computation Schedule**Part I. Tax Computation for Period Before July 1, 1987**

1. Taxable income from line 19
2. Net capital gain (If alternative tax applies, enter net capital gain (excess of net long-term capital gain over net short-term capital loss). 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. 15% of line 4
13. 18% of line 6
14. 30% of line 8
15. 40% of line 10
16. 46% of line 11
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.

Caution: If you are a fiscal year filer whose tax year ends before July 1, 1987, do not complete Part II of this worksheet. Enter the amount from Part I, line 18 in Part III, line 31 and fill in the rest of Part III.

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

19. Enter amount from line 3
20. Enter the smaller of line 19 or \$50,000
21. Subtract line 20 from line 19
22. Enter the smaller of line 21 or \$25,000
23. Subtract line 22 from line 21
24. 15% of line 20
25. 25% of line 22
26. 34% of line 23
27. If line 19 is greater than \$100,000, enter the lesser of 5% of the excess over \$100,000, or \$11,750
28. Add lines 24 through 27.

Part III. Tax Computation

29. Line 18 x $\frac{\text{Number of days in tax year before July 1, 1987}}{\text{Number of days in tax year}}$
30. Line 28 x $\frac{\text{Number of days in tax year after June 30, 1987}}{\text{Number of days in tax year}}$
31. Add lines 29 and 30
32. Alternative tax on net capital gain (If alternative tax applies, see "Net Capital Gain and Alternative Tax," below. If alternative tax does not apply, enter zero.)
33. Add lines 31 and 32 and enter this amount on line 20 of Form 1120-POL

Net Capital Gain and Alternative Tax.—

Figure the alternative tax on the capital gain portion of your income as follows:

1. Enter the net capital gain from line 10a, Schedule D (Form 1120)
2. Enter the amount from line 10b, Schedule D. Caution: If this amount is larger than the amount on line 1, enter the amount from line 1 here

3. Subtract line 2 from line 1
4. 28% of line 2
5. 34% of line 3
6. Add lines 4 and 5

The amount on line 6 is the tax on the capital gain portion of your income if alternative tax applies.

C. Taxable Income.—

Note: Generally, campaign contributions are not includible in income; expenditures for campaign purposes are not deductible. (See instruction D below.)

Taxable income is the excess of:

1. gross income for the tax year (excluding any exempt function income defined 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) a net operating loss deduction (section 172) is not allowed; and

(c) a deduction under Part VIII of subchapter B (special deductions for corporations) is not allowed.

See Regulations sections 1.527-4 and 1.527-5.

For those organizations claiming a deduction for automobiles and other "listed property," complete Part III of **Form 4562**, Depreciation and Amortization, regardless of when the property was placed in service. If the organization provides taxable fringe benefits to its employees, such as the personal use of autos, do not deduct as wages the amount allocated for depreciation and other expenses that you claim on your return.

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;

3. proceeds from a political fundraising or entertainment event, or proceeds from the sale of political campaign materials, that are not received in the ordinary course of any trade or business; or

4. proceeds from the conducting of any bingo game as defined in section 513(f)(2), to the extent this amount is segregated for use only for the exempt function of the political organization.

See Regulations section 1.527-3.

Note: Income received in the course of an ordinary trade or business is to be included on 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 the individual or electors are selected, nominated, elected, or appointed.

See Regulations section 1.527-2(c).

F. 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 31101**

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, Calaveras, 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**

G. 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.

H. Period Covered.—File the 1986 return for calendar year 1986 and fiscal years that begin in 1986 and end in 1987. For a fiscal year, fill in the tax year space at the top of the form.

I. 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**). 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.

To get more deposit forms, use the reorder form (**Form 8109A**) provided in the coupon book.

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

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 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**.

L. 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.

M. Attachments.—In order to process the return, we ask that you complete every applicable entry space on **Form 1120-POL**. Please do not write "See attached" instead of completing the entry spaces. If more space is needed on forms or schedules, attach separate sheets to the back of **Form 1120-POL**. Attach schedules in alphabetical order and forms in numerical order. Also put the taxpayer's name and employer identification number (EIN) on each sheet.

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.

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 and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

O. 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 (EIN).

An organization that does not have an EIN should apply for one on **Form SS-4**, Application for Employer Identification Number. Obtain this form 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.

P. Penalties.—Avoid penalties and interest by correctly filing 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 charge on unpaid tax at a rate 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 generally 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).

Q. Estimated Tax, Minimum Tax, Employee Stock Ownership Credit, Investment Credit and Jobs Credit.—These items do not apply to political organizations defined in section 527.

R. Credits.—The organization may qualify for the following credits:

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

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

Possessions tax credit. See **Form 5712**, Election to be Treated as a Possessions Corporation Under Section 936, for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on **Form 5735**, Computation of Possessions Corporation Tax Credit Allowed Under Section 936.

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. The organization may be able to take a credit for alcohol used as a fuel. See **Form 6478**, Credit for Alcohol Used as Fuel, and section 40(a).

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

S. 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 signature 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, 1987, 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.