

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

**1989**

Department of the Treasury  
Internal Revenue Service

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

For calendar year 1989 or tax year beginning \_\_\_\_\_, 1989, 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 ▶

<b>Please print or type</b>	Name of organization	Employer identification number
	Number and street (or P.O. box number if mail is not delivered to street address)	Date organization formed
	City or town, state, and ZIP code	If this is a principal campaign committee, and it is the ONLY political committee, check here . . . ▶ <input type="checkbox"/> If this is a principal campaign committee, but is NOT the only political committee, check here and attach a copy of designation (See instruction C4) . . . ▶ <input type="checkbox"/>

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

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

<b>Income</b>	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 Form 4797, Part II, line 18 (attach Form 4797). . . . .	6		
	7 Other income and nonexempt function expenditures (see instructions). . . . .	7		
	<b>8 Total income</b> (add lines 1 through 7) . . . . .	<b>8</b>		
<b>Deductions</b>	9 Salaries and wages . . . . .	9		
	10 Repairs . . . . .	10		
	11 Rents . . . . .	11		
	12 Taxes . . . . .	12		
	13 Interest . . . . .	13		
	14 Depreciation (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 (see instructions). Section 501(c) organizations show:			
	a amount of net investment income . . . . . ▶ _____			
b aggregate amount expended for an exempt function (attach schedule) . . . . . ▶ _____	17c			
18 Less specific deduction of \$100 (not allowed for newsletter funds defined under section 527(g)) . . . . .	18			
<b>19 Taxable income</b> (subtract line 18 from line 17c) . . . . .	<b>19</b>			
<b>Tax</b>	20 Income tax (see instructions) . . . . .	20		
	21 Credits (see instructions) . . . . .	21		
	22 Total tax (subtract line 21 from line 20) . . . . .	22		
	23 Payments: a Tax deposited with Form 7004 . . . . .	23a		
	b Credit from regulated investment companies (attach Form 2439) . . . . .	23b		
	c Credit for Federal tax on fuels (attach Form 4136) . . . . .	23c	23d	
24 <b>Tax due</b> (subtract line 23d from line 22). See instruction D3 for depository method of payment . . . . .	24			
<b>25 Overpayment</b> (subtract line 22 from line 23d) . . . . .	<b>25</b>			

**Additional Information**

1 At any time during the tax year, did the organization 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 instructions.) . . .  Yes  No  
If "Yes," enter the name of the foreign country ▶ \_\_\_\_\_

2 Was the organization the grantor of, or transferor to, a foreign trust that existed during the current tax year, whether or not the organization has any beneficial interest in it? . . . . .  Yes  No  
If "Yes," the organization may have to file Forms 3520, 3520-A, or 926.

3 Enter the amount of tax-exempt interest received or accrued during the tax year . . . . . ▶ \$ \_\_\_\_\_

**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.

▶ \_\_\_\_\_ Date \_\_\_\_\_ Title \_\_\_\_\_

<b>Paid Preparer's Use Only</b>	Preparer's signature ▶ _____	Date _____	Check if self-employed ▶ <input type="checkbox"/>	Preparer's social security no. _____
	Firm's name (or yours, if self-employed) and address ▶ _____	E.I. No. ▶ _____	ZIP code ▶ _____	

## 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.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

**Recordkeeping** . . . . 14 hrs., 35 min.

**Learning about the law or the form** . . . . 6 hrs., 23 min.

**Preparing the form** . . . . 15 hrs., 17 min.

**Copying, assembling, and sending the form to IRS** . . . . . 2 hrs., 25 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service**, Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; or the **Office of Management and Budget**, Paperwork Reduction Project (1545-0129), Washington, DC 20503.

**A. Purpose of Form.**—Form 1120-POL is used to report the taxable income and income tax liability of political organizations (including principal campaign committees), 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 on page 3), 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.

**Extension.**—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 1989 return for calendar year 1989 and for fiscal years that begin in 1989 and end in 1990. 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, New Hampshire, Rhode Island, Vermont	Andover, MA 05501
Florida, Georgia, South Carolina	Atlanta, GA 39901
Kansas, New Mexico, Oklahoma, Texas	Austin, TX 73301
Indiana, Kentucky, Michigan, Ohio, West Virginia	Cincinnati, OH 45999
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Kansas City, MO 64999
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee,	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, Virginia	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 organization 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., should not 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 on page 3) 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 on page 3), 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) on page 2.

**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 (relating to tax on unrelated business income).

**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. In addition, if a political organization expends any amount of its exempt function income for other than an exempt function, and the expenditure results in a direct or indirect financial benefit to the political organization, the amount of such expenditure must be included in the political organization's gross income. See the instructions for line 7.

See Regulations section 1.527-3 and 1.527-5.

**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. Such term includes the making of expenditures relating to an office described in the preceding sentence which, if incurred by the individual, would be an allowable deduction as a trade or business expense. See section 527(e) and 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 and section 527(h) of the Internal Revenue Code.

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 the 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.**—Generally, 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.

**2. Rounding Off to Whole-Dollar Amounts.**—The organization may show the money items 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.

**3. Depository Method of Tax Payment.**—The organization must pay the tax due in full when the return is filed but no later than the 15th day of the third month 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. Make these tax deposits with either a financial institution qualified as a depository for Federal taxes or the Federal Reserve bank or branch 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 (Form 8109) for more information.

To help ensure proper crediting to your account, write your employer identification number, "Form 1120-POL," and the tax period to which the deposit applies on your check or money order.

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

For more information concerning deposits, see Publication 583, Taxpayers Starting a Business.

**4. 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 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 of 1% of the unpaid amount, up to a maximum of 25%, for each month or fraction of a month the tax remains unpaid.

**Overstated Tax Deposits.**—If deposits are overstated, the organization may be subject to a penalty of 25% of the overstated deposit claim. See section 6656(b).

## Specific Instructions

**Attachments.**—Attach Form 4136, Computation of Credit for Federal Tax on Fuels, after page 1, Form 1120-POL. Attach schedules in alphabetical order and other forms in numerical order after the Form 4136. 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.

**Employer Identification Number.**—Each political organization (including a separate segregated fund described in section 527(f)(3) and a newsletter fund) must use its 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 date for Form 1120-POL, write "Applied for" in the space for the EIN.

For more information concerning an EIN, see Publication 583.

**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 the organization is 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 and nonexempt function expenditures.**— Enter the total income from other sources, such as income from sources described in instruction C2 that was not properly segregated for exempt functions and income received in the course of an ordinary trade or business. Also include on this line the total expenditures that were made from exempt function income, that were not for an exempt function and that resulted in a direct or indirect financial benefit to the political organization. Attach a schedule listing all income and expenditures included on line 7.

**Lines 17(a) and 17(b), Taxable income before specific deduction of**

**\$100.**—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.

**Line 17(c), Taxable Income before specific deduction of \$100.**—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 whether the political organization is a principal campaign committee as defined in section 527(h) and instruction C4. The tax rate is lower for a principal campaign committee.

**Political organization not a principal campaign committee.**

—A political organization that is not a principal campaign committee computes its tax as follows: Multiply line 19, Form 1120-POL by 34% to figure the tax under section 527(b). Enter the result on line 20, Form 1120-POL.

**Principal campaign committee (section 527(h)).**

—A political organization that is a principal campaign committee of a candidate for Congress computes its tax as follows: Complete lines 1 through 10, below, and enter the amount from line 10 on line 20, Form 1120-POL.

- 1. Enter taxable income (line 19, Form 1120-POL) . . . . . \_\_\_\_\_
- 2. Enter the smaller of line 1 or \$50,000 . . . . . \_\_\_\_\_
- 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 15% of line 2 . . . . . \_\_\_\_\_
- 7. Enter 25% of line 4 . . . . . \_\_\_\_\_
- 8. Enter 34% of line 5 . . . . . \_\_\_\_\_
- 9. If line 1 is greater than \$100,000, enter the lesser of: 5% of the excess over \$100,000; or \$11,750 . . . . . \_\_\_\_\_
- 10. Add lines 6 through 9. Enter here and on line 20, Form 1120-POL . . . . . \_\_\_\_\_

**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 Corporation 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 financial account in a foreign country (such as a bank account, securities account, or other financial account).

If "Yes" is checked for Question 1, file Form TD F 90-22.1 by June 30, 1990, 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 file it with Form 1120-POL.

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

Also, if "Yes" is checked for this question, write the name of the foreign country or countries. Attach a separate sheet 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.