

Political organization; separate bank account. A separate bank account used by a candidate for state public office to receive deposits of political campaign funds and disbursed only for bona fide political campaign expenses qualifies as a political organization under section 527 of the Code.

#### ISSUE

Does a separate bank account qualify as a political organization under section 527 of the Internal Revenue Code of 1954 under the circumstances described below?

#### FACTS

In 1977, while campaigning for the office of Governor, a taxpayer received political campaign funds that were deposited in a separate bank account and disbursed only for the taxpayer's bona fide political campaign expenses.

#### LAW

Effective for taxable years beginning after December 31, 1974, the federal income tax treatment of political organizations is covered by section 527 of the Code.

Section 527(a) of the Code provides, in part, that a political organization shall be considered exempt from income taxes for the purpose of any law that refers to organizations exempt from income taxes.

Section 527(e)(1) of the Code defines a political organization as a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function.

Section 527(e)(2) of the Code defines the term 'exempt function' as 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.

#### HOLDING

The separate bank account used for depositing political contributions and disbursing bona fide political campaign expenses qualifies as a political organization under section 527 of the Code.