

Surplus political campaign funds; delegate's political convention expenses. Amounts expended to enable an elected legislator to attend a political party's national convention as a delegate, which are paid from surplus funds from an earlier campaign maintained in a separate bank account qualifying as a political organization, are not includible in the legislator's gross income.

ISSUE

Are the amounts expended from surplus political campaign funds to defray expenses incurred in attending a convention of a political party includible in a taxpayer's gross income under the circumstances described below?

FACTS

In 1976, the taxpayer, an elected legislator, attended a political party's national convention as a delegate. The purpose of the convention was to select and nominate candidates for President and Vice President of the United States. Payment of the taxpayer's expenses incurred while attending the convention was made from surplus political campaign funds that were available from the taxpayer's earlier successful political campaign and maintained in a separate bank account. The fund maintained in the separate account qualifies as a political organization. See Rev. Rul. 79-11, page 207, this Bulletin.

LAW AND ANALYSIS

Effective for taxable years beginning after December 31, 1974, the federal income tax treatment of political organization is covered by section 527 of the Internal Revenue Code of 1954.

Section 527(a) of the Code provides, in part, that a political organization shall be considered an organization 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 the term 'political organization' as a party, committee, association, fund, or other organization organized and operated primarily for the purpose of 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.

Because the amounts expended to attend the convention are incurred in attempting to influence the selection and nomination of candidates for political office, they are exempt function expenditures.

HOLDING

The amount expended from surplus political campaign funds to attend the political convention are not includible in the taxpayer's gross income.