

Surplus political campaign funds; voter research expenses. Amounts expended for voter research, public opinion polls, and voter canvasses on behalf of an elected legislator who becomes a candidate for another political office, 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 for voter research, public opinion polls, and voter canvasses includible in gross income under the circumstances described below?

#### FACTS

In 1977, the taxpayer, an elected legislator, became a candidate for another elective public office, and in connection with such candidacy incurred expenses for voter research, public opinion polls, and voter canvasses. Payment for these expenses 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, 1971, 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 an organization exempt from income taxes for the purpose of any law that refers to organizations exempt from income taxes.

Section 527(d)(1) of the Code provides that if any political organization contributes any amount to or for the use of any political organization that is treated as exempt from tax under section 527(a), such amount shall be treated as an amount not diverted for the personal use of the candidate or any other person.

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 for voter research, public opinion polls, and voter canvasses are incurred in attempting to influence the selection, nomination, election, or appointment of a candidate for political office, they are exempt function expenditures.

#### HOLDING

The amounts expended from surplus political campaign funds for voter research, public opinion polls, and voter canvasses are not includible in the taxpayer's gross income.