

## COLORADO LANDSCAPE:

### Bob Smith is running for Colorado's State Senate.

#### Who can help finance his election—and how?

Bob Smith's **Candidate Committee** is formed, as required by state law for any candidate that will accept contributions. This entity is the official campaign committee, and accepts direct candidate contributions and makes expenditures on behalf of the candidate. The committee may not accept donations from corporations or lobbyists, foreign governments, or foreign citizens.

The committee must report all contributions and expenditures, itemize and disclose donor names and addresses for all contributions of \$20 more, and include employer for contributions >\$100 (aggregate). Major contributions (+1000) within 30 days prior to an election must be reported online within 24 hours of receipt. The candidate can contribute as much money as he wishes to his own committee, and the committee has no limits on how much it can spend—unless the candidate accepts voluntary spending limits at the time he files an affidavit stating that he is running for office. For state senate, the voluntary limit is \$102,500. If another candidate enters the race and does not accept the volunteer limit, Bob Smith can withdraw his voluntary spending limit within 10 days. If he does not withdraw, Bob's campaign contribution limits will double if his opponent raises more than 10% of the limit.

#### **Contribution limits for donations to a state senate candidate are as follows:\***

- From a natural person, political committee, non-corporation business entity or Federal Pac: \$200 for primary, \$200 for general election.
- From a Small Donor Committee: \$2250 for primary, \$2250 for general election
- From the State Political Party: a total of \$20,500
- From other candidate committees, issues committees, independent expenditure committees, corporations and labor unions: prohibited

\*Bob must be a major party candidate. If he is unaffiliated or minor party, he can only accept contributions for the general election

**Political Committee (PC):** A political committee can be formed to support Bob Smith's nomination or election efforts—or to oppose the election of his opponent(s). A political committee is currently defined as: any person, other than a natural person, or any group of two or more persons, including natural persons that have accepted or made contributions or expenditures in excess of \$200 to support or oppose the nomination or election of one or more candidates.

Political Committees must register with the SOS, and PC's may accept contributions from corporations and unions but cannot accept contributions from foreign citizens/corporations/governments, or from Independent Expenditures Committees or Issues Committees. Colorado law treats all committees established/financed by the same person(s), corporations, or labor organizations as a SINGLE entity subject to contribution limits. PC's must report all contributions and expenditures, and itemize and disclose name and address for >\$20 donations, plus employer for >\$100 IF the contributor is a natural person. All contributions from LLC's must be itemized. Major contribution reports (>1000) must be filed within 24 hours.

#### **Contribution limits for donations to a Political Committee are as follows:**

- From any person(s), committee, corporation, union, small donor committee, federal PAC or federal 527: \$550 per election cycle.
- From a candidate committee: \$550, **ONLY** if the stated purpose includes supporting the candidate who contributed.
- From a business (other than a corporation): \$200 for primary elections, \$200 for general elections.
- From an IEC: prohibited

#### **Limits for donations from a political committee are as follows:**

- To a political party: \$3,400
- To a candidate: \$200 for primary election, \$200 for general election
- To an IEC: unlimited

#### **Small Donor Committee:**

A small donor committee is a specific type of political committee that accepts contributions only from natural persons, who each contribute **NO MORE** than \$50 in aggregate per calendar year. Corporations/Labor organizations can form small donor committees, and may accept contributions from members but cannot contribute themselves. Small donor committees can donate more money to candidates and parties than other committees, and they must report all contributions received and expenditures made, and must disclose names/addresses of expenditures >\$20.

#### **Contribution limits to a small donor committee are as follows:**

- From a natural person: \$50 per calendar year; all other donations: prohibited
- A small donor committee is limited to making the following contributions:**
- To an IEC: unlimited amount
  - To a political party: \$17,075 per calendar year
  - To a political committee or issue committee: prohibited

**Political Party:** Bob Smith's political party may choose to support him at any time during the election cycle. A party must be registered with the SOS office, and is defined as a group of registered electors who, by petition or assembly, nominate candidates for the official general election ballot. Any activities that are part of the formal nomination process must adhere to state disclosure requirements ("social" groups do not have to disclose).

Parties must disclose name and address for all contributions of \$20 or more, and the employer/occupation for \$100 more. They also must file within 24 hours of receiving a major contribution. Parties cannot accept contributions from foreign citizens/ governments, independent expenditure committees, issues committees, corporations or labor organizations., and parties cannot accept donations intended for a specific candidate.

**Contribution limits for donations to a political party are as follows:**

- From natural persons/ political committees/527 groups/federal PACs: maximum \$3,400/year aggregate to county, district and local party levels combined. Maximum \$2,825 /year to the state party.
- From a Small Donor Committee: \$17,075 aggregate to county, district and local party levels combined. \$14,225 to state level.
- From a business ( other than a corporation): \$3,400

**Political parties are limited to making the following contributions:**

- To an IEC: unlimited amount
- To an issue committee: unlimited amount
- To another political party organization: \$3,400 per calendar year
- To a political committee: \$550

**Federal Political Action Committees (PACs):** A federal PAC may choose to support Bob or to oppose the other candidate(s). The term "political action committee"(PAC) refers to two distinct types of political committees registered with the Federal Election Commission: separate segregated funds (SSFs) and non-connected committees. SSFs are political committees established and administered by corporations, labor unions, membership organizations or trade associations. These committees can only solicit contributions from individuals associated with connected or sponsoring organization. By contrast, non-connected committees are not sponsored by or connected to any of the aforementioned entities and are free to solicit contributions from the general public.

PACs are required to file with the Federal Election Commission. They are ALSO required to file as Political Committees with the Colorado Secretary of State if they spend >200 on a Colorado candidate.

If a PAC registers as a political committee with the State of Colorado, the following must be done: The PAC must itemize contributions of >\$20, and for contributions of >\$100 the occupation and employer of the contributor must be reported. Contributions must adhere to state limits. Expenditures of >\$20 must be reported. The PAC must deposit funds into a separate bank account used exclusively for federal PACs. PACs can form a political committee and report those contributions and expenditures, but only \$550 can be transferred to the political committee in each 2 year cycle.

**Federal PACS are limited to making the following state level contributions:**

- To an IEC: unlimited amount
- To an issue committee: unlimited amount
- To a political party: \$3,400 per calendar year
- To State Senate candidate: \$200 for primary election, \$200 for general election
- To a political committee: \$550 per election cycle

**501 (c)(3) or Charitable Organizations:** A 501 (c)(3) may not attempt to influence legislation as a substantial part of its activities and it may not participate in any campaign activity for or against political candidates. Contributions to political campaign funds or public statements (verbal or written) made on behalf of the organization in favor or opposition to any candidate is prohibited.

**501 (c)(4) Non- profit:** An organization registered with the IRS as a 501 (c)(4) group may choose to support Bob or oppose the other candidates, but only within certain *federal* restrictions. 501(c)(4)s can participate in political activities under federal law; seeking legislation germane to the organization's programs is a permissible means of attaining social welfare purposes. However, supporting or opposing candidates may not be their "**primary activity.**"

The major purpose test is used to rule out whether or not a 501(c)(4) meets the conditions to be considered a political committee or PAC. As long as **no more than half of the overall activities** of a non-profit organization is political in nature that organization will be considered a 501(c)(4) under the federal tax code. Note that acts of lobbying and "public education" are not considered political activity and can also be conducted to further the organization's social welfare purpose.

Similar to corporations, 501(c)(4)s cannot contribute directly to candidates (either federal or state in Colorado). They can, however, make independent expenditures subject to limitations of "primary activity" as explained above. 501(c)(4)s are not limited re: contributions they can receive. They have limited disclosure requirements reportable *to the IRS*. Colorado campaign finance law is silent on 501(c)(4) organizations.

### **Independent Expenditure Committee (IEC )/Super PACs:**

An independent expenditure committee may support Bob Smith's efforts for election/nomination—or oppose his opponents—providing there is **NO** coordination with any candidate or candidate committee. If they are coordinating with (or making donations to) a candidate or candidate committee, they must register as a political committee and will no longer be considered an IEC.

An IEC is any one or more persons that makes independent expenditures in aggregate of \$1,000 or collects >\$1,000 from one or more persons for the purpose of making an independent expenditure.

IECs may accept **unlimited** contributions from anyone. They are **prohibited** from making a contribution to a candidate committee.

IEC's must itemize all expenditures of >\$20 and all donations >\$250., and disclose names, addresses and occupation/employer for these contributions. Additionally, they must file a **48 hour notice of Independent Expenditure** for expenditures of >\$1,000 made within 30 days of an election.

Independent expenditures of >\$1,000 must contain a disclaimer identifying the person making the expenditure. A Broadcast communication must also include a "PAID FOR" statement.

### **Contribution limits for donations to an IEC are as follows:**

- From a business, 527 organization, a corporation or labor union, Federal PAC, candidate committee, other IECs, natural person, political party, political committee, and small donor committee: unlimited amount
- From a candidate committee: unlimited amount
- From 501 (c)(4): unlimited amount ( It is important to note that 501(c)(4) are not required to disclose donors to the the public)

### **An IEC is limited to making the following contributions:**

- All donations to candidates, political committees, political parties, and issues committees **are prohibited**.
- Donations to other IECs are unlimited

**Note:** A key difference between a "Super PAC" and traditional candidate PAC is in who can contribute, and in how much they can give. Super PACs have no limitations on who contributes or how much they contribute. They can raise as much money from corporations, unions and associations as they please and spend unlimited amounts on advocating for the election or defeat of the candidates of their choice.

**Restrictions on Super PACs:** The most important restriction prohibits super PACs from working in conjunction with the candidates they're supporting. According to the FEC, super PACs cannot spend money "in concert or cooperation with, or at the request or suggestion of, a candidate, the candidate's campaign or a political party."

### **527 Political Organizations:**

Entities organized under **section 527** of the tax code are considered "political organizations," defined generally as a party, committee or association that is organized and operated primarily for the purpose of influencing the selection, nomination or appointment of any individual to any federal, state or local public office, or office in a political organization. All "**527s**" must file with the federal IRS. Most political organizations are registered as 527s , unless they are registered as a 501(c)(4).

If a 527 Political Organizations makes expenditures for communications and intends to seek tax exemption, they must ALSO file with the Colorado Secretary of State's Office as a political organization. They then must follow all applicable laws in Colorado . They are still required to meet applicable IRS filing and disclosure requirements.

### **Issue Committee:**

An issue committee may not help Bob win his State Senate seat.

An issue committee is any person, other than a natural person, or a group of two or more individuals, including natural persons that **supports or opposes an ballot issue or question** and has accepted or made contributions or expenditures >\$200 in support of or opposing any ballot issue or question or has printed >200 petition sections .