

## Castle: Time has Come to Bring Stealth "527 Groups" Under Campaign Laws -- April 5, 2006

Bill expected to pass House of Representatives Tonight

Washington, D.C. -- Delaware Congressman Mike Castle, leader in enacting the 2002 Bipartisan Campaign Finance Reform Act, today urged his fellow Members in the House of Representatives to move a step closer to closing a "soft-money" loophole in campaign finance laws by voicing strong support for H.R. 513, the 527 Reform Act of 2006, which is expected to pass the House tonight. Castle is a cosponsor of the bill, sponsored by Representatives Christopher Shays (R-Conn.) and Martin Meehan (D-Mass.) and has been a key player in the 527 reform debate, participating in press conferences in Washington and Delaware to garner support for strengthening our campaign finance laws and rejecting amendments which would gut the legislation .

"Finally, we are gaining ground and passing legislation to close loophole that has allowed 527 groups, of both parties, to spend hundreds of millions of dollars in unlimited soft money to influence presidential and congressional elections without complying with campaign finance laws. These stealth groups have been operating outside of regular Federal Election laws for far too long.

"If the primary role of 527 groups is to influence federal elections, which it clearly is, they must play by the same set of rules that apply to other political groups whose purpose is to spend money to influence federal elections. There should be no exception. At a time when the public is calling for transparency and accountability, no longer can we tolerate a loophole that allows this type of money from the wealthy few to unfairly influence the political process," Castle said.

Under the Internal Revenue Code, a 527 group is defined as an organization "organized and operated primarily" to influence elections (or the appointment of individuals to non-elective office).

A summary of 'The 527 Reform Act of 2006' is copied below.

### The 527 Reform Act

Under the Internal Revenue Code, a 527 group is defined as an organization "organized and operated primarily" to influence elections (or the appointment of individuals to non-elective office). The Federal Election Commission ("FEC"), however, has failed to apply existing federal campaign finance laws to require that 527 groups spending money to influence federal elections register as federal political committees and comply with federal campaign finance laws, including the limits on the contributions they may receive.

As a result, both Democratic-leaning and Republican-leaning 527 groups spent tens of millions of dollars in soft money to influence the 2004 federal elections. A number of 527 groups did not register as federal political committees and spent soft money on ads attacking and promoting federal candidates. Other 527 groups did register as federal political

committees but claimed that under FEC rules they could spend as much as 98 percent soft money on partisan voter drive activities for the purpose of influencing the 2004 federal elections.

The 527 Reform Act is designed to clarify and reaffirm that such 527 groups are required to comply with federal campaign finance laws. The bill would:

• Require 527s groups to register as political committees with the FEC and comply with federal campaign finance laws, unless they raise and spend money exclusively in connection with non-Federal candidate elections, or state or local ballot initiatives, or the nomination or confirmation of individuals to non-elected offices, such as judicial positions.

Under this requirement, 527 groups registered as political committees and subject to federal campaign finance laws can use only federal hard money contributions to finance ads that promote or attack federal candidates, regardless of whether the ads expressly advocate the election or defeat of the candidate.

Any 527 group with annual receipts of less than \$25,000 is exempt from the requirement to register as a political committee and comply with federal campaign finance laws.

• Establish that when a 527 group registered as a federal political committee makes expenditures for voter mobilization activities or public communications that affect both federal and non-federal elections, at least 50% of the costs of such activities would have to be paid for with Federal hard money contributions.

• Provide that with regard to the non-federal funds that can be used to finance a portion of voter mobilization activities and public communications that affect both federal and non-federal elections, such funds must come from individuals only and must be in amounts of not more than \$25,000 per year per individual donor.

This is similar to the provision in the Bipartisan Campaign Reform Act of 2002 that places a limit on the size of a nonfederal contribution that can be spent by state parties on activities affecting both federal and non-federal elections. \$25,000 is the same amount that an individual can contribute to a national political party. An individual can give only \$5,000 per year to a federal political committee to influence federal elections.

The 527 Reform Act provides that it applies only to 527 groups and that nothing in the Act will have any effect on determining whether 501(c) groups are subject to federal campaign finance laws.