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Internal Revenue Service

Department of the Treasury

Washington, DC 20224

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Contact Person:
NO THIRD PARTY
Telephone Number: CONTACTS

In Reference to:

Date: MAR 29 1999

EIN:

Dear Ladies and Gentlemen:

This is in response to your representative's letter of October 28, 1998, as revised by his submission dated December 14, 1998. You have requested rulings with respect to whether a broad range of activities, from contributions to the campaigns of certain candidates and political advertising expressly advocating the election or defeat of named candidates, to more indirect political activities such as mass media campaigns, initiative campaigns and litigation strategically aimed at altering the political process, constitute exempt functions under section 527(e)(2) of the Internal Revenue Code.

You are a nonprofit corporation, organized and operated as a section 527 political organization. You state that the main part of your program centers on issue advocacy connecting public concerns about your chosen issue to the views and records of federal, state, and local candidates and incumbents. You indicate that the political nature of your issue advocacy program is supported by your mission statement, the timing and targeting of messages, and the variety of ways in which you plan to use ballot measures and other public opinion campaigns to affect the candidate selection process.

Your program will initially focus on local, state, and federal elections in five states. The program may include the development and distribution of voter guides and voting records, mass media advertisements, grassroots lobbying, direct mail campaigns, and the active use of ballot measures, referenda, initiatives, and other public opinion campaigns, all linked to the primary purpose of influencing the political process in those states. These activities will occur over several election cycles.

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You will select certain issues to emphasize based on their importance to your agenda and their expected resonance with the public. You may conduct voter opinion polls, focus groups, opinion research, meetings and conferences, and other related activities to determine which issues deserve special emphasis. The particular issues may vary from community to community. You plan to inject these issues into selected political campaigns for the purpose of encouraging candidates to adopt certain positions, and encouraging voters to give greater weight to certain issues when voting.

Each project you undertake is to be authorized by a resolution of your board of directors that describes the specific electoral goal of the project. The electoral goal will be substantiated in one or more of the following ways (hereinafter referred to as "substantiation methods"):

1. The written opinion of one or more experts in the fields of political science, public opinion research, or campaign strategy, indicating that the project is likely to impact the outcome of one or more elections.

2. Data collected from voter opinion polls, focus groups, demographic research, or historical voting patterns, indicating that the project is likely to impact the outcome of one or more elections.

3. The convening of project planning sessions in which campaign consultants, candidates, public officeholders, political party officials, major donors, organizational political directors, or other political functionaries participate, with the explicit understanding that the project is intended to impact the outcome of one or more elections.

4. External communications between you and third parties in which the electoral goal of the project is expressly stated, such as requests from candidates or other political functionaries asking you to undertake the project, or requests from you to third parties asking for financial support, endorsements, volunteers, or other forms of assistance to the project.

5. The use of partisan methodologies. For example: (a) presenting candidates with your agenda in a private meeting or a public event, asking for their agreement, and publicizing the results to the voters, (b) "bird-dogging" candidate appearances to ask pointed questions about their views on your issues or to show support for

candidates that have adopted your agenda, and (c) engaging the services of campaign consultants and media specialists with instructions to use traditional political campaign techniques in support of the project.

You indicate that some of the materials you distribute and the techniques you use may resemble the public education, issue advocacy, or grass roots lobbying materials and techniques often used by charitable organizations without violating the political prohibition of section 501(c)(3) of the Code. However, your materials and techniques are designed to serve a primarily political purpose and will be inextricably linked to the political process, as demonstrated by the particular facts and circumstances discussed below.

A. Traditional candidate campaign expenditures

You plan, as a minor part of your program activities, on making expenditures reportable under the Federal Election Campaign Act and parallel state campaign finance laws. These would include contributions of cash or in-kind services to assist the campaigns of candidates in selected areas and independent expenditures expressly advocating the election or defeat of identified candidates in selected areas.

Section 527(e)(1) of the Code defines the term "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" to mean, in relevant part, 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.

Section 1.527-2(c)(1) of the Income Tax Regulations provides that expenses directly related to an "exempt function," as defined in section 527(e)(2), include all activities that are directly related to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to public office or office in a political organization (the selection process). Whether an

expenditure is for an exempt function depends upon all the facts and circumstances. Generally, where an organization supports an individual's campaign for public office, the organization's activities and expenditures in furtherance of the individual's election or appointment to that office are for an exempt function of the organization. The individual does not have to be an announced candidate for the office. Furthermore, the fact that an individual never becomes a candidate is not crucial in determining whether an organization is engaging in an exempt function.

Contributions to candidates' campaigns and expenditures expressly advocating the election or defeat of candidates are within the meaning of "directly related" expenses in the definition of exempt function set forth in section 1.527-2(c)(1) of the regulations.

B. Voter education linking issues with candidates

You will develop and distribute voting records and voter guides, conduct grass roots lobbying, and employ other methods of voter education using a particular approach that is distinguishable from charitable nonpartisan voter education activities permitted for section 501(c)(3) organizations. You may disseminate voter guides, voting records, grass roots lobbying messages, and other forms of voter education through television, radio, newspaper, newsletters, magazines and other print media, on-line electronic transmission, mail (including a direct mail campaign), telephone banks, facsimile transmission, posting of signs, public meetings, rallies, media events, door-to-door canvassing and other forms of direct contact with the public.

You indicate that issues will be selected based on a combination of your legislative priorities, your general public policy agenda, and public opinion research. The issues selected will encourage differentiation between candidates whose views on the identified issues agree with yours and their election opponents. Distribution of all materials and the scheduling of events will be targeted toward particular areas of the states in which you have a political interest and believe you can have a political impact. You will develop a list of electoral districts to be targeted, primarily for political reasons.

In addition, the various parts of the voter education element of your program will contain the following features:

1. Voter guides: Candidate information and comparisons will generally not involve submitting

questions to the candidates. Other available sources of information, likely to contain some degree of bias for your positions, will be used instead. Where questionnaires are used, the questions will have a particular bias.

2. Incumbent voting records: Distribution will be geared to the timing of the specific elections and will be made to the general public or to a segment of the public targeted for political reasons. Voting records expressed in percentages, indicating the extent to which the incumbent voted in accordance with your views, may be used.

3. Grass roots lobbying: The format, timing, and targeting of these messages will reflect a dual character: calling for legislative action, but also, by strong implication, raising public awareness about how the identified legislators stand on issues that you have identified as critical and believe voters should take into account. The political character will predominate, as evidenced by the geographical targeting.

4. Other forms of voter education: Where you sponsor public events, mass media campaigns, or other types of voter education, the format, timing, and targeting will be designed to have an impact on how the public views the candidates. Each voter education project will be authorized by a resolution of your board of directors that describes the specific electoral goal and substantiated using the methods previously described.

Rev. Rul. 78-248, 1978-1 C.B. 154, and Rev. Rul. 80-282, 1980-2 C.B. 178, address the facts and circumstances that are relevant in determining when voting records and voter guides cross over the line from simply educating voters to influencing or attempting to influence their votes in the context of the section 501(c)(3) prohibition on participation or intervention in a political campaign on behalf of or in opposition to a candidate. Rev. Rul. 81-95, 1981-1 C.B. 332, refers to these two rulings in discussing what activities constitute participation or intervention in a candidate campaign for a section 501(c)(4) organization. A similar analysis may be used to determine the types of voter guides and voting records that would qualify as an exempt function activity under section 527(e)(2).

Rev. Rul. 78-248, supra, indicates that whether an organization is participating or intervening, directly or

indirectly, in a political campaign depends upon all of the facts and circumstances. The ruling sets forth four situations with different outcomes.

Situations 1 and 4 involve compilations of officeholders' voting records. In Situation 1, the activity is permissible given the following factors: the publication contains voting records of all members of Congress on "major legislative issues involving a wide range of subjects," the publication does not imply approval or disapproval of any members or their records; and the publication is compiled annually and made available to the public. By contrast, in Situation 4, where an organization that is primarily concerned with land conservation issues presents incumbents' voting records only on issues of importance to the organization, and widely distributes the guide among the electorate during an election campaign, the activity is prohibited political activity even though the materials contain no express statements supporting or opposing any candidate.

Situations 2 and 3 involve publicly distributed voter guides presenting candidates' positions on the issues based on candidates' responses to a questionnaire. In Situation 2, the organization solicited from all candidates for governor a brief statement of the candidate's position on a wide variety of issues. The results then were published in a voters' guide made available to the public. The activity is permissible where the organization selects the issues "solely on the basis of their importance and interest to the electorate as a whole" and "neither the questionnaire nor the voters guide, in content or structure, evidences a bias or preference with respect to the views of any candidate or group of candidates." In Situation 3, the same questionnaire-based voter guide is considered prohibited political activity where some questions evidence a bias on certain issues.

Rev. Rul. 80-282, supra, holds that the publication of a newsletter containing voting records of congressional incumbents on selected issues would not, based on these facts, constitute participation or intervention in a political campaign within the meaning of section 501(c)(3). The ruling restates the rule that whether an organization is participating or intervening, directly or indirectly, in a political campaign depends upon all of the facts and circumstances.

In this case, the format and content were not neutral. The newsletter reported the incumbents' votes on selected issues of importance to the organization, stated the organizations' own views on the issues, and indicated whether the incumbent supported or opposed the organization's views. Weighing in favor

of the conclusion that the publication of voting records did not constitute direct or indirect participation or intervention in a political campaign were the following factors: the publication presented the voting records of all incumbents and pointed out the limitations of judging qualifications based on voting records; and the publication did not identify who was running for reelection nor comment on individuals' overall qualifications for office nor expressly or impliedly endorse any incumbent nor compare incumbents with candidates. Given that the format and content was not conclusive, the determining factor was the timing and nature of the distribution. The organization did not gear the timing of the distribution to any federal election and did not target distribution to any particular areas where elections were occurring. The voting record compilation was distributed only in the organization's newsletter to its regular subscribers numbering only a few thousand nationwide.

Rev. Rul. 81-95, supra, holds that a section 501(c)(4) organization may participate or intervene in political campaigns and remain exempt under that section as long as it is primarily engaged in activities designed to promote social welfare. The ruling relies upon Rev. Rul. 78-248, supra, (pertaining to voter guides and voting records) and Rev. Rul. 80-282, supra, (pertaining to voting records), among others, as examples of what constitutes participation or intervention in political campaigns. The ruling further states that a section 501(c)(4) organization is subject to the tax imposed by section 527 on any of its expenditures for political activities that come within the meaning of section 527(e)(2).

The regulatory scheme under section 527 distinguishes between "nonpartisan educational workshops" which are not intended to influence the selection and election process and are not exempt function expenditures, and seminars and conferences which are intended to have a political impact and which therefore are exempt function expenditures. See section 1.527-2(a)(3) and 1.527-2(c)(5) of the regulations. Example (8), described in section 1.527-2(c)(5)(viii), relates to "Q," a political organization described in section 527(e)(2). In this example, "Q finances seminars and conferences which are intended to influence persons who attend to support individuals to public office whose political philosophy is in harmony with the political philosophy of Q. The expenditures for these activities are for an exempt function."

A close reading of the Revenue Rulings along with the section 527 regulations provides guidance as to the type of activities that constitute participation or intervention in a

campaign for public office and would be considered exempt function activities.

Your publication and distribution of voter guides and voting records attempts to influence the public by linking candidates to the issues you are identified with. While both factual and educational, the selective content of this material, and the manner in which it is presented is intended to influence voters to consider particular issues when casting their ballot. The program will identify candidates whose views on selected issues are in harmony with yours.

Unlike Situation 1 of Rev. Rul. 78-248, which was deemed to be acceptable voter education for a section 501(c)(3) organization, the issues you plan to cover will be dictated by your legislative agenda, and the targeted distribution and timing of the publications will be tied to upcoming elections. As in Situation 4 of Rev. Rul. 78-248, which was deemed unacceptable for a section 501(c)(3) organization, your materials will present incumbents' voting records on selected issues matching your legislative agenda, and will, by implication, approve or disapprove an incumbent's position based on how well it matches yours. You plan to distribute this material widely to voters prior to an election. The format and content of the voting records will not be neutral. Furthermore, the key factors present in Rev. Rul. 80-282 that tipped the balance in favor of acceptable voter education under section 501(c)(3) are not present in your case. You plan to intentionally target the distribution of voter guides to areas in which your legislative agenda is thought to be critical to voters' choices, and to time those distributions throughout election cycles to maximize their impact.

A critical factor suggested by Situations 2 and 3 of Rev. Rul. 78-284 in determining whether a voter guide is nonpartisan, is whether the guide evidences a bias or preference with respect to the views of any candidate or group of candidates. Your voter guides, in which candidates' views on issues will be compiled without contacting the candidates themselves, are intended to evidence a bias on the issues, in the selection of the issues, in the language used in characterizing the issues, and in the format. As with the voting records, the targeting and timing of the distribution will be aimed at influencing the public's judgment about the positions of the candidates on issues at the heart of your legislative agenda.

Based on the factors identified in the revenue rulings, your preparation and distribution of voter education material, including voter guides and voting records, would be prohibited

political intervention for a section 501(c)(3) organization and would be a non-qualifying activity for a section 501(c)(4) organization. Because these activities serve a political purpose, they are for an exempt function within the meaning of section 527(e)(2).

The content, timing, and targeting of your grassroots lobbying reflects a dual character: calling for legislative action, and raising public awareness about how the identified legislators stand on issues that you believe voters, based on opinion polling, will take into account during the election cycle. The repeated public presentations on selected issues, targeted to geographical areas and timed to coincide with the election, together with legislators' positions on those issues as compared with your views, is intended to have an effect on how the public will judge the positions of the incumbents and their challengers in the election. The link between these issues and the various candidates will be reinforced through your publication of voting records and voter guides. Because these activities serve the purpose of influencing the election of certain individuals to Federal, State, or local office, they are for an exempt function within the meaning of section 527(e)(2).

Based on the specific facts and circumstances described above, your expenditures for voter education activities, including the preparation and distribution of voter guides, voting records, grass roots lobbying, and your sponsorship of debates, public events, and other forms of voter education targeted and timed to influence candidate elections are expenditures for an exempt function within the meaning of section 527(e)(2) of the Code.

C. Voter activation expenditures

You have indicated you may engage in the following activities:

i. Voter registration targeted to reach groups selected because they are likely to vote for candidates favoring your legislative agenda.

ii. Voter turnout activities, including promotion of absentee voting, get-out-the-vote mobilizations, and identification of voters likely to agree with your legislative agenda.

iii. Computerized enhancement of voter information in order to target voters likely to agree with your legislative agenda.

You state that these activities differ from voter registration and voter turnout activities sponsored by charitable section 501(c)(3) organizations due to the intentional and deliberate targeting of individual voters or groups of voters on the basis of their expected preference for pro-issue candidates, as well as the timing of dissemination and format of the materials used. Each voter activation project will be authorized by a resolution of your board of directors which describes the specific electoral goal of the project. Various substantiation methods, as previously described, may be used, or you may use a partisan methodology in the operation of the project, such as close coordination with various candidate, party, and political action committee representatives.

Section 1.527-6(b)(5) of the regulations provides that to be nonpartisan, voter registration and 'get-out-the-vote' campaigns must not be specifically identified by the organization with any candidate or political party. Expenditures for such nonpartisan activities are not expenditures for an exempt function.

The voter activation expenditures you have described are partisan in nature. While these activities may not be specifically identified with a candidate or party in every case, they are partisan in the sense that you intend to use these techniques to increase the election prospects of pro-issue candidates as a group. Expenditures for these activities are for an exempt function under section 527(e)(2).

D. Ballot measure activities

In your opinion, ballot measures are a very important part of the political process in the five states you have initially targeted. You contemplate the following range of activities:

(i) Campaigning for or against issue-related ballot measures already linked to the public images of specific candidates or public officials.

In this regard, you may support a pro-issue ballot measure sponsored by and identified with a particular candidate or officeholder. In other cases, you may oppose a ballot measure that threatens your values and is associated with a candidate or officeholder. Either way, you state that your efforts will be inseparably linked to enhancing or detracting from the public image of a candidate running in the same election or a public officeholder expected to run for re-election or election to another office. Through the ballot measure, you will attempt to reinforce the significance of the person's pro-issue or anti-issue stance in the minds of the voters.

(ii) Campaigns on a ballot measure for the primary purpose of causing candidates to take a visible public stand on the measure, thereby affecting a larger number of candidate races through focused expenditures.

Your use of ballot measures to promote differentiation between pro-issue candidates and their opponents in the minds of the voters may take different forms. You may attempt to cause one or more candidates or public officials to endorse or oppose a ballot measure on issue-related grounds, either by direct contact with the candidate or official, by pressure applied through the media and opinion-makers, or by encouraging the public to ask the candidates or officials to take a stand on the measure. In other situations, you may support or oppose a ballot measure as an economical way of influencing a large number of contemporaneous candidate races, through communications that identify the candidates who are for, against, undecided, or neutral on the measure. You indicate that this will maximize the use of your resources by influencing the election of many candidates, rather than being limited to intervention in the campaign of a single candidate. Your plan to use the ballot measure process to set the stage for political debate and to impact how voters identify candidates sympathetic to your views.

You also indicate that you will select initiative campaigns as a means by which voters can hold the legislature accountable on matters impacting your issue. Ballot measures, referenda, and initiatives appeal to the people to act as legislators, in those cases where the legislature has not acted. The success or failure of an initiative may express the voting public's assessment of the performance of a particular legislator or the legislature as a whole, whether negative or positive. By highlighting the actions or inaction of specific incumbents through the ballot measure process, you will link your issue to the performance of the legislature in the minds of voters, thereby affecting the voters' decisions during election cycles.

(iii) Ballot measure activities aimed at affecting the resources available to pro-issue candidates or their opponents, ranging from sympathetic voter identification and computerized list enhancement to more tactical techniques, such as pursuit of diversionary campaigns that may lessen the contributions available to opposing candidates.

In this regard, you anticipate developing resources transferable to pro-issue candidates, including petition lists, donor lists, mailing and telephone lists identifying pro-issue

voters and enhanced with voter frequency data, as well as trained campaign operatives, issue analysis, opposition research, polling data, advertising themes, and other campaign assets. You plan, over time, to make these resources available to pro-issue candidates and their supporters.

Through ballot measure campaigns you anticipate affecting the patterns of donor support to candidates. By publicizing the connections among issues, donors, and candidates, you can impact donor contribution patterns, either increasing giving by donors to candidates who want to be identified with your issue, or deterring giving by donors who do not want their reputations tarnished by identification with a particular issue. Alternatively, the identification of donors with a particular measure--whether positive or negative--can promote or deter a candidate's acceptance of contributions from those same donors. In these ways, a ballot measure's impact on donor patterns can affect the amount of funds that are available to a particular candidate or group of candidates and influence the outcome of a political campaign.

You may also participate in ballot measure campaigns that have the effect of redirecting resources from candidates and groups of candidates by affecting the way those who engage in partisan politics spend their money. The presence of a controversial measure during an election cycle can divert contributions from candidate campaigns to initiative campaigns, funds that would have otherwise been spent to support or oppose candidates.

Finally, you expect to closely coordinate certain ballot measure campaign activities with the campaigns of candidates in the same elections. The degree of coordination is expected to result, in some cases, in a level of in-kind support regarded as a reportable campaign contribution to the candidate under state or federal campaign finance laws.

(iv) Ballot measure campaigns where the measure itself would affect the future prospects of pro-issue candidates, such as term limits, redistricting, campaign finance reform, etc.

You may choose to participate in ballot measures that would alter significantly the rules of the election process in a manner favorable or unfavorable to pro-issue candidates. Such measures affect the election process directly, for example, by imposing term limits, causing the reapportionment of legislative districts, changing the primary election system, or instituting

campaign reforms relating to the sources and amounts of political contributions a candidate may receive.

(v) Campaigns on ballot measures for the primary purpose of increasing the turnout of voters likely to vote for identified pro-issue candidates.

You may engage in ballot measure campaigning for the political purpose of increasing pro-issue voter turnout. Voters who might otherwise stay at home may turn out to vote if a measure affecting their vital interests is on the ballot. The measure itself may or may not be related to your identified issue, but will be aimed at a demographic group that you expect to vote for pro-issue candidates.

In all five types of ballot measure activity you have described, you distinguish your activities from those commonly engaged in by section 501(c)(3) public charities, section 501(c)(4) social welfare groups, and other section 501(c) organizations. You state that each ballot measure project will be authorized by a resolution of your board of directors describing the specific electoral goal of the project. Various substantiation methods, as previously described, will be used, or you will use one or more partisan methodologies, such as presenting one or more candidates in a favorable or unfavorable light as supporters or opponents of the measure, close coordination with various candidate, party, and political action committee representatives, or engaging the services of campaign consultants or media specialists with instructions to use traditional political campaign techniques in support of the project.

Section 1.527-2(c)(1) of the regulations provides that expenses directly related to an "exempt function," as defined in section 527(e)(2), include all activities that are directly related to and support the process of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to public office or office in a political organization. Whether an expenditure is for an exempt function depends upon all the facts and circumstances.

Generally, expenditures made in connection with ballot measures, referenda, or initiatives are not section 527 exempt function expenditures. Nevertheless, a political organization may support or oppose ballot measures provided that such activities are not its primary activity. Furthermore, such expenditures will be considered for an exempt function where it can be demonstrated that such expenditures were part of a deliberate and integrated political campaign strategy to

influence the election for state and local officials by making active use of ballot measures, referenda, and initiative campaigns. You have indicated that your participation in such campaigns is for the purpose of linking candidates, in the minds of voters, to positions on certain issues within your identified area of interest, and encouraging voters to give greater weight to these issues when making judgments about candidates.

You state that your purpose in engaging in such activities is a political one. Based on the particular facts and circumstances described above, it appears that the described activities are inseparable from the candidate selection process. Under the circumstances you describe, expenditures for these activities are primarily for an exempt function within the meaning of section 527(e)(2) of the Code. As noted, our ruling is based upon the specific facts and circumstances you have described and may not apply to your participation in a ballot measure where these facts and circumstances are not present.

E. Litigation

You further propose to initiate or subsidize litigation directed to influencing the selection of pro-issue candidates. This may include lawsuits to force or resist a recount, to attack or defend a contestant accused of violating election laws, or to invalidate or uphold a ballot measure linked to the candidate selection process. This would not include litigation or legal costs related solely to the personal affairs of a candidate, but might include litigation on a matter affecting the public's perception of the candidate or office-holder's fitness for public office with respect to his/her conduct of official governmental functions.

Each litigation project will be authorized by a resolution of your board of directors describing the specific electoral goal of the project. One or more substantiation methods, as previously described, may be used or you may use a partisan methodology in the selection of the project, such as legal representation of or close coordination with various candidate, party, and political action committee representatives.

Section 527(e)(2) of the Code defines the term "exempt function" to mean 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. Such term includes the making of expenditures

relating to an office described in the preceding sentence which, if incurred by the individual, would be allowable as a deduction under section 162(a).

Rev. Rul. 74-394, 1974-2 C.B. 40, considers whether legal fees paid by a state judge for services rendered in connection with his defense of misconduct charges were deductible under section 162(a) of the Code. A state commission charged the judge with lending the prestige of his office to advance the private commercial interests of others. The commission could have censured the judge or removed him from office. The revenue ruling concludes that since the charges had their origin in the conduct of the judge's official duties, the expenses for the legal fees were deductible as ordinary and necessary business expenses.

Litigation to force or resist a recount, to attack or defend a contestant accused of violating election laws, or to invalidate or uphold a ballot measure linked to the candidate selection process, falls within the meaning of attempting to influence the election of an individual, and is therefore an exempt function within the meaning of section 527(e)(2). Litigation on a matter affecting the public's perception of the candidate's fitness for public office with respect to the candidate's or office-holder's conduct of official governmental functions, as long as it relates to the conduct of official duties, is, by reason of section 162(a) and Rev. Rul. 74-394, likewise an exempt function within the meaning of section 527(e)(2).

F. Indirect expenditures

You anticipate conducting activities that support the direct political program described above, including staff time, travel costs, legal and accounting costs, research, polling and focus groups, grassroots organizing, training, acquisition and enhancement of voter lists, Internet communications, mass media advertising, and distribution of identified issue messages to accompany and enhance the impact of the materials discussed above.

Section 1.527-2(c)(2) of the regulations, relating to indirect expenditures for an exempt function, provides in relevant part that "expenditures that are not directly related to influencing or attempting to influence the selection process may also be an expenditure for an exempt function by a political organization. These are expenses which are necessary to support the directly related activities of the political organization. Activities which support the directly related activities are those which must be engaged in to allow the political

organization to carry out the activity of influencing or attempting to influence the selection process."

The expenditures you describe are necessary to carry out the activities described above that are directed at influencing voters' views on the connections between issues and candidates. These include, but may not be limited to, research activities, management and administrative personnel and associated expenses, rent, phone and other overhead items, legal services, and accounting services. Such indirect expenditures qualify as exempt function expenditures under section 1.527-2(c)(2) of the regulations.

These rulings are based on the understanding that there will be no material changes in the facts upon which they are based. Any changes that may bear upon your tax status should be reported to the Service.

We are sending a copy of this ruling to your key District Director for exempt organization matters. Because this letter could help resolve any questions about your exempt status, you should keep it with your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

This ruling is directed only to the organization that requested it. Section 6110(j)(3) of the Internal Revenue Code provides that it may not be used or cited as precedent.

Thank you for your cooperation.

Sincerely,

Gerald V. Sack

Gerald V. Sack
Chief, Exempt Organizations
Technical Branch 4