



**NATIONAL ASSOCIATION OF BUSINESS  
POLITICAL ACTION COMMITTEES**

# **PAC Match Programs**

**2016 SURVEY RESULTS**

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## **INTRODUCTION**

A significant number of corporate and association PACs use Charitable PAC Match programs as tools for growing participation and receipts. As a service to our members, the National Association of Business Political Action Committees (NABPAC) published the results of its first survey on the scope and operation of these programs in 2010. This 2016 report, prepared by Dunn Associates, includes new information and data based on a second survey of organizations that use Charitable PAC Match programs.

NABPAC is the nation's only trade association solely dedicated to promoting, defending and professionalizing PACs and political action professionals.

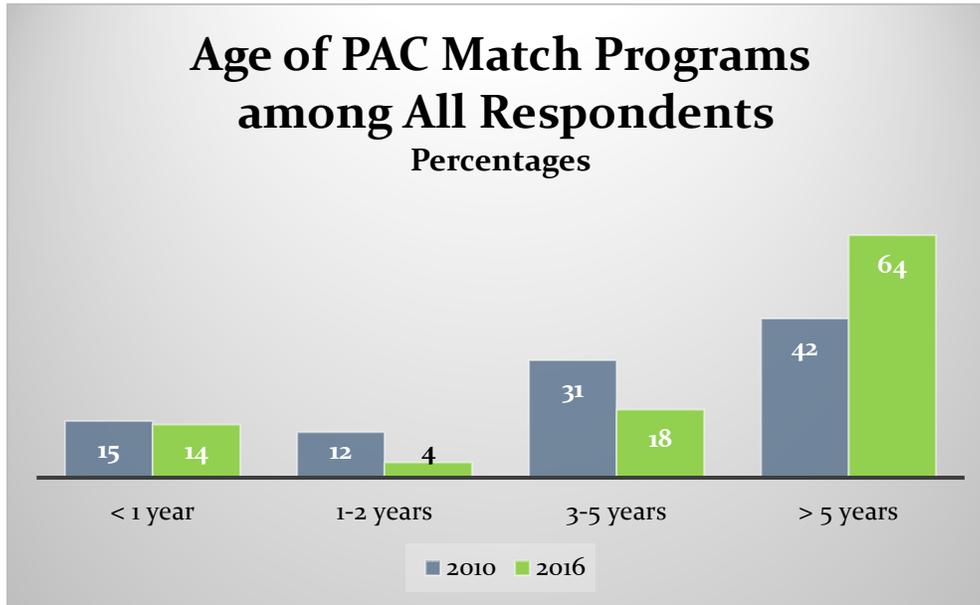
Dunn Associates is a political involvement consulting firm that specializes in developing effective political action committees for the business and professional community. Dunn Associates is a consultant to NABPAC and provides PAC development advice to members through its PAC Help Hotline service.

## **ABOUT THE SURVEY**

The online survey was conducted from December 5, 2016 through January 11, 2017 among NABPAC's corporate and trade and membership association members, as well as other business and professional PACs known to operate Charitable PAC Match programs. The survey received a total of 29 responses, from 27 corporate PACs, and one trade and one membership association PAC. Respondents answered questions based on the last full year of activity, 2015.

## 2016 PAC MATCH SURVEY RESULTS

PAC Match programs have matured and are largely sponsored by corporations.



Nearly half (48%) of PAC match programs are offered by the largest PACs (\$750,000 + annual receipts)

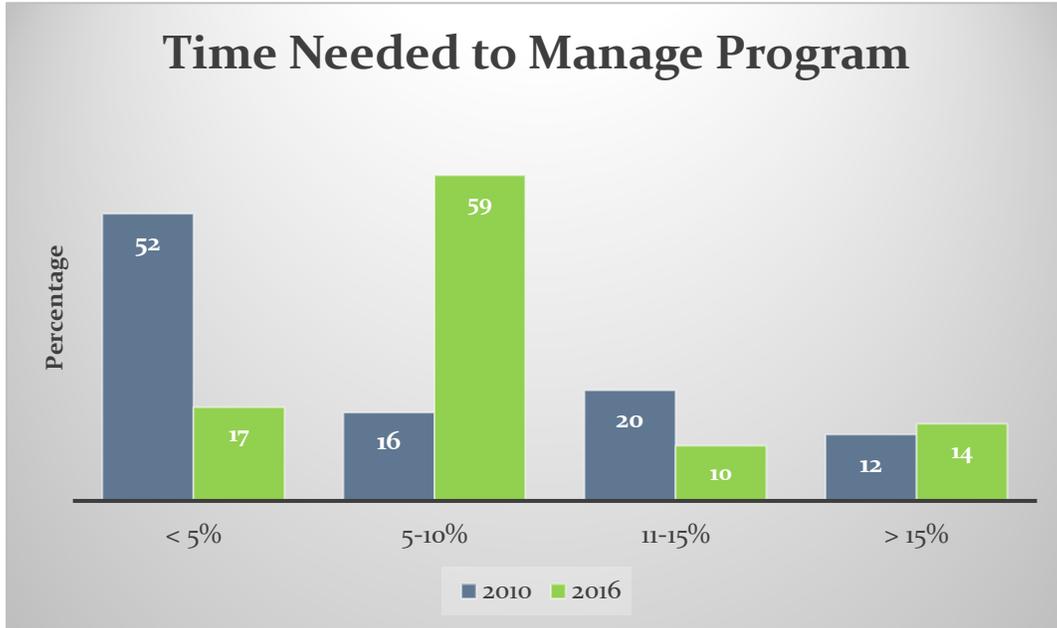
Corporations continue to be dominant users of PAC Match programs (93%) vs. trade and membership associations.

**Corporate funds are the predominate source for matching PAC contributions.**

Corporate PAC Match programs (93%) use general corporate funds for charitable matching donations. Of that percentage, 28% of corporate PAC Match programs are funded as part of the government or political affairs budget. Trade associations also use resources from Political Administrative Funds.

**PAC Match is requiring more PAC Directors' time to manage.**

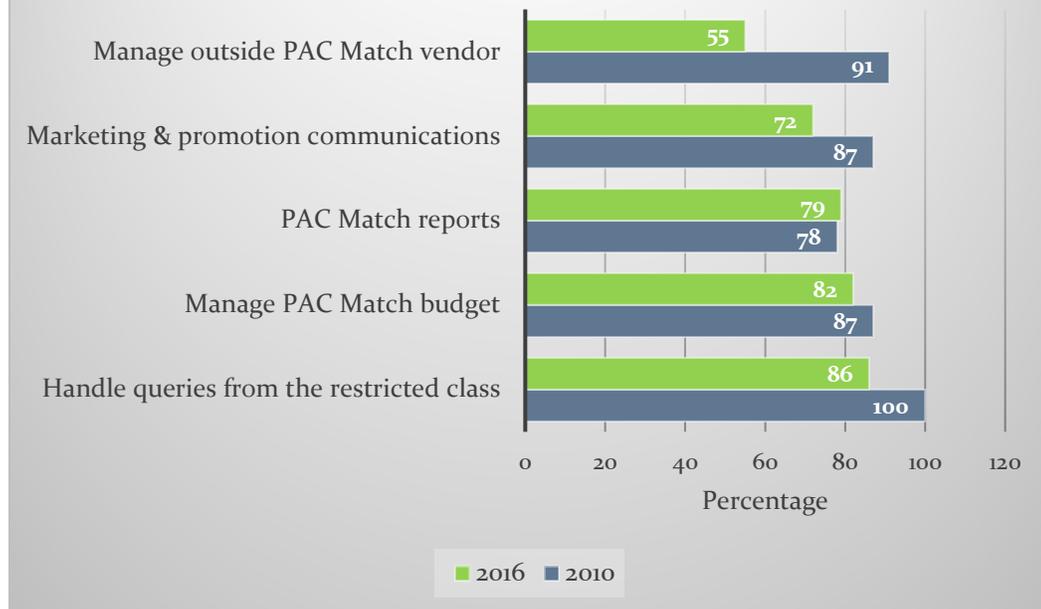
The median percentage of time spent to manage a program is 10% in 2016 vs 5% in 2010.



PAC Directors continue to be largely responsible for managing PAC Match programs (76%) vs. other government affairs, functional or charitable giving staff within the organization.

**Time spent managing PAC match vendors has declined.** Among the top five responsibilities of the person who manages the PAC Match program, managing outside PAC match vendors has declined since 2010.

## Top 5 PAC Match Responsibilities of PAC Director



### Fewer PACs use PAC Match vendors, but those that do require more service.

Fewer organizations are using an outside PAC Match vendor (52%) than in 2010 (68%). PACs using outside vendors rely on them to perform a greater amount of the PAC Match activities.

PAC Match Vendor Services Utilized	2016	2010
Authenticate charities designated by donors	100%	88%
Issue checks to charities	100%	71%
Issue communications to charities	93%	77%
Issue communications to donors	80%	63%
Provide a website for donors to use to designate charities	67%	59%
Develop reports	60%	65%

Of the 15 respondents who use outside vendors, 13 identified their vendors as follows:

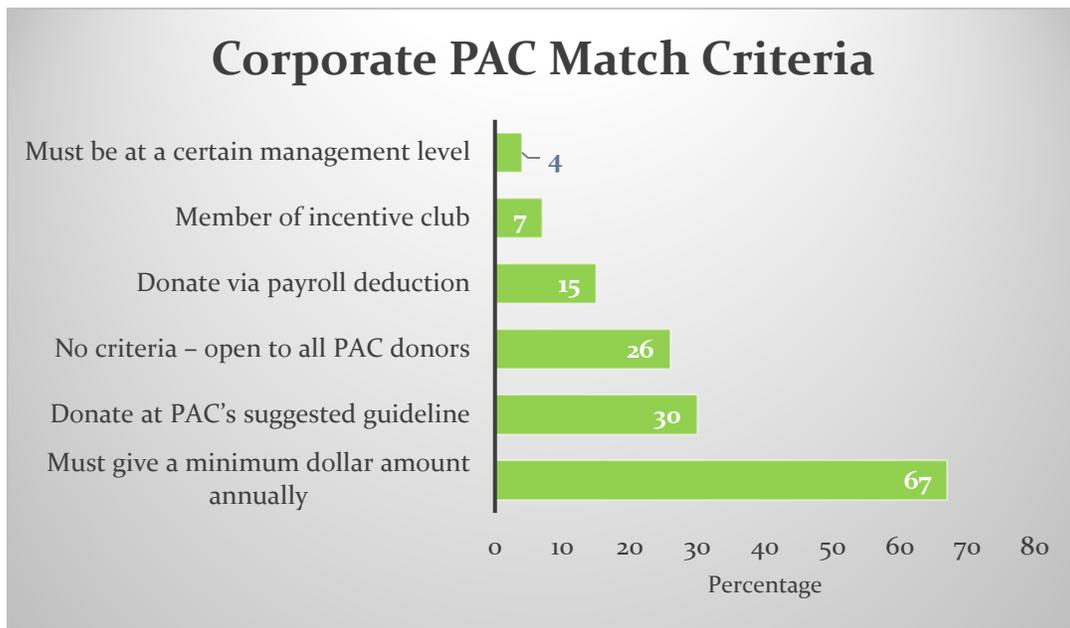
- Benevity (Canadian-based)
- Comerica Bank
- PAC Outsourcing LLC
- Public Affairs Support Services
- Your Cause LLC

Nine of the 15 respondents who use outside PAC Match vendors reported fees paid in 2016 ranging from \$1500 to \$160,000. The median fee was \$21,500.

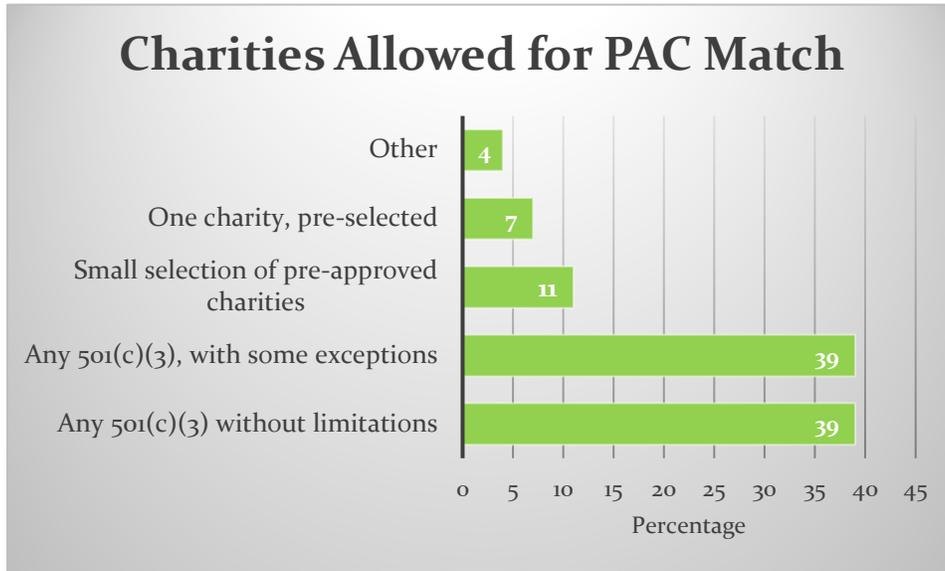
**Donors must meet explicit criteria to be eligible for PAC Match.**

A high majority of all PAC respondents (79%) use explicit criteria that donors must meet to be eligible for PAC Match vs 48% of PACs that used no criteria in 2010.

Survey respondents could select more than one criterion in the survey. The most predominate for corporate PACs is the requirement for a minimum annual dollar amount (67%). The minimum dollar contribution ranges from \$25 to \$1500 per calendar year (median: \$250). One trade association PAC requires payroll deduction as the eligibility criteria for PAC Match.



**A large majority of organizations allow PAC Match for all or most 501(c)(3) charities.**



**A majority (55%) of PAC Match programs allow donors to designate matching contributions to more than one charity vs 52% in 2010. Of those that allow more than one charity to be matched, 73% also use an outside PAC Match vendor to assist with the program vs 36% of those that only allow one charity.**

**Most donors can designate charities to receive matching funds any time during the year.**



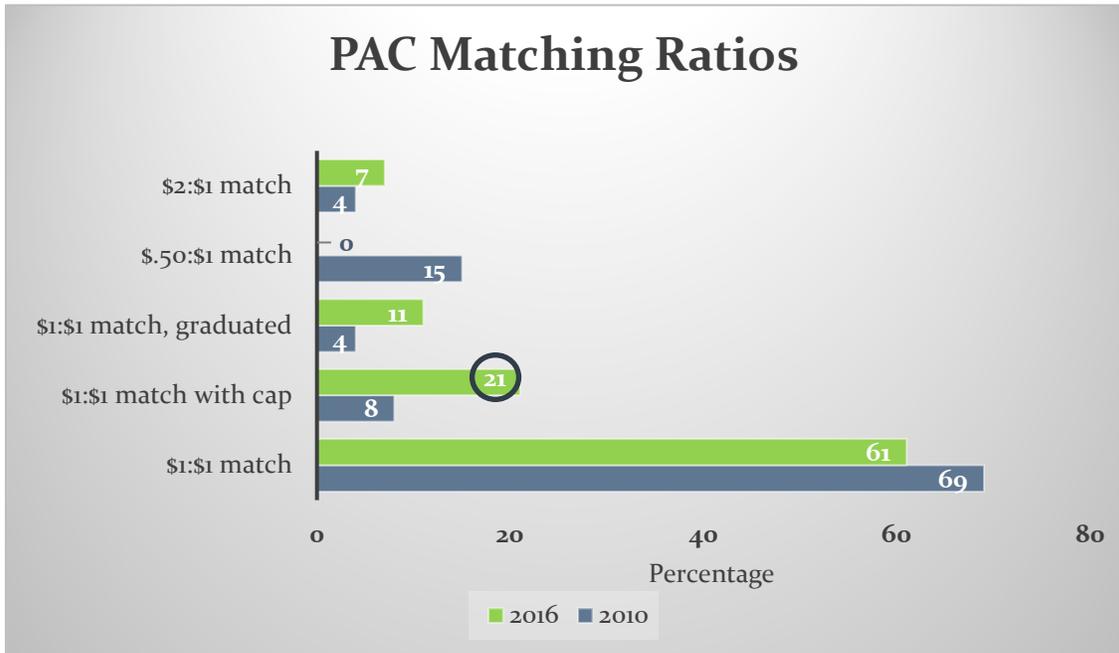
**The top methods for designating charities are at the PAC website or by email.**

Designation method	2016	2010
At the PAC website any time during the year	48%	--
At the PAC website/online during the PAC enrollment process	38%	42%
Send an email	38%	38%
Complete and mail or fax a printed PAC match form	28%	62%
At our PAC Match vendor's website	14%	19%
At another site separate from the enrollment process	14%	23%
My organization pre-designates the charities that are supported	21%	8%
Other	0%	4%

Most matching contributions (72%) are distributed to charities annually vs 54% in 2010.

Most (86%) of PACs notify donors when their designated charity has received a matching contribution. A high majority (68%) receive notice by email or other communication, 18% receive a copy of the transmittal letter to the charity and 11% receive no notification.

A \$1:\$1 matching ratio is widely offered but caps are now more likely.



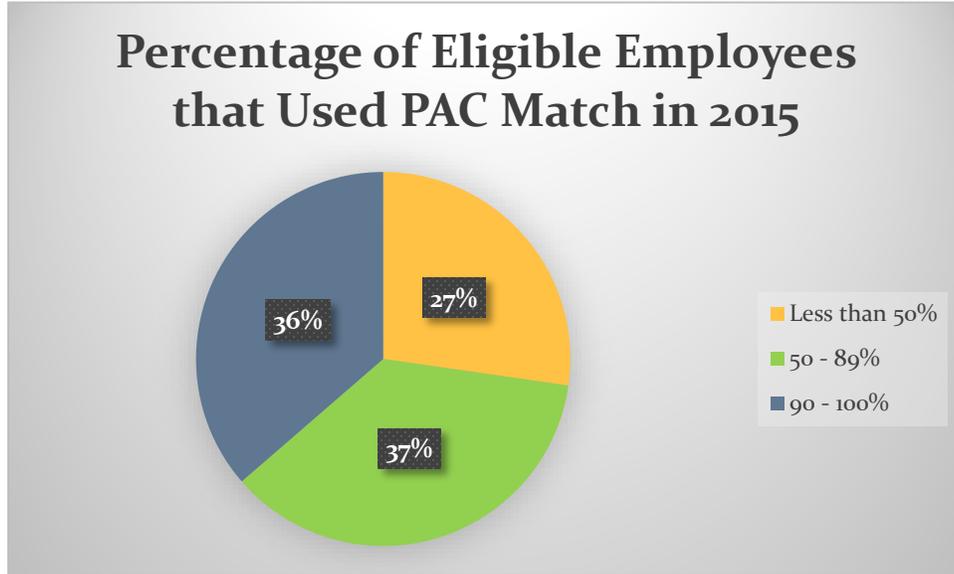
Most PACs (69%) offer a \$1:\$1 match for any amount contributed, but there has been an increase in PACs placing a cap on the match given (21% vs 8% in 2010) or offering a graduated match (11% vs 4% in 2010). Examples of graduated matches included \$.25:\$1 up to \$1:\$1.

**The maximum amount of match that is provided to donors has changed very little since 2010.** Both in 2010 and 2016, 69% of respondents provided a match of up to \$5,000. Another frequent cap was \$1,000 (10%), and other caps mentioned included \$50, \$500 and \$2,000.

**PAC Match is a continuously offered program.** Although 17% use it occasionally to drive PAC membership, 79% of the respondents offer the program on a continuous basis, year after year.

**PACs had a mixed experience of eligible donors taking advantage of PAC Match.**

Of the 22 respondents that answered this question, a median of 78% of eligible donors took advantage of PAC Match.



# COMMENTS BY RESPONDENTS ABOUT THEIR PAC MATCH PROGRAMS

## PAC Match Promotion

- **Promote PAC match during membership campaigns and other meetings**

We promote it via our PAC Champion program and our general solicitation emails.

Part of our annual solicitation campaign, usually by our Treasurer following an email from the company President & CEO.

During the annual PAC solicitation, participation in the PAC Match is described in the circulated documents as well as on the PAC contribution form.

As part of the annual campaign communications - primarily email and secure website.

PAC Match is part of the solicitation pitch for the PAC. It is a "win, win" program. The company gets a win and so does the employee's favorite charity.

Staff a PAC table at field sales national meetings; written communications; website; enrollment form; one-on-one pitches or group meetings.

PAC website, e-mail communications, PAC meeting solicitations.

- **Include PAC Match in marketing materials and presentations**

Includes charity match in all marketing material and presentations.

The PAC Match benefit is included in all communications about the PAC.

Included in all materials, charity is part of culture and viewed as an incentive.

PAC Match is mentioned in every newsletter (quarterly) and during solicitations. We also developed a PAC Match handout for all eligible members, and send reminder e-mails to contributors to enroll.

PAC Match is highlighted in our PAC video as well in all PAC solicitations (e.g. meeting PowerPoint and emails).

As part of the campaign and on the website. Also want to add to a video in 2017.

1) noted in solicitation email 2) PAC Match page on PAC website 3) mentioned in enrollment.

- **Use special recognition and incentives**

PAC match donors are recognized by the CEO and other executives at special events. They have a special name tag at events so that executives and peers can see that they are giving at PAC match.

It's an incentive to our executive class to contribute and get matching gifts to their favorite organization or charity.

Our entire executive leadership team, including our CEO, mentions the benefit of the program without being scripted. It truly matches our corporation's philanthropic engagement strategy.

- **Promote primarily through email communications**

Educational emails are sent once a year. Also during the United Way another email is sent out advising of the PAC Match two-fer.

We use email communications to discuss the PAC match program, we also talk about it at board meetings.

Email communications.

- **Promote year-round**

We heavily promote the charity match several times throughout the year.

We promote our PAC Match program throughout the year as it is directly connected to our payroll deduction program to help drive in contributions. E-mail, website, letters, pamphlets.

### **Criteria PACs Use to Measure PAC Match Effectiveness**

- **Percentage of overall participation**

Increased PAC engagement.

Percentage of memberships during solicitation period.

Participation rate.

Initial offering of 1:1 resulted in doubling the PAC. 2:1 doubled it again.

Participant percentages and giving amounts.

- **Percentage of PAC participation among those who meet PAC Match criteria**

Over 52% of our PAC members are giving at the charity match level (\$500+) so we feel that our program is a success.

It is one of the items we track during our solicitation campaigns. Generally, if someone who was giving a little before, signs up at goal, it's because of PAC Match.

- **Increased contributions to the PAC**

Raw metrics -- number of new or increased PAC contributions combined with participation in PAC Match.

Our average gift has greatly increased due to PAC match.

Increased contributions through the payroll deduction program.

PAC growth in \$ and number of contributors.

- **Other**

Survey.

We evaluate the effectiveness based on the number of employees participating and the total amount contributed to the various charities. Since we have a minimum contribution to qualify, it helps our receipts increase.

We use it as a benefit, we don't use it as a measurement tool.

Informal survey about what prompted a new member to join the PAC.

Percentage of contributors who utilize PAC Match.

### **Significance of PAC Match to Increase 1) Receipts 2) General Membership and 3) Incentive Club Membership.**

- **PAC Match has not been significant for growth**

Very little; considering dropping it.

Minimal.

It is a plus benefit, but I don't feel that it really increases the numbers in 1, 2 or 3.

- **Increased receipts**

We're up 61.5% in receipts from YE 2013 to YE 2016.

It has helped grow our receipts and have a constant source of contributions coming in throughout the year.

Increased our receipts by \$1m.

Using PAC Match during our spring/summer fundraising campaign increased our ... fundraising results by 32%.

Increased receipts when PAC Match minimum increased in 2015, as contributors increased contributions to get match.

- **Increased membership**

Because our program is more than 15 years old, I can't accurately answer this question but again, more than 50% of our PAC members give at this level so we feel that it is working.

Our overall membership has grown slightly, but participation of those at goal has grown from 6% at YE 2014 to 11% at YE 2016.

It played a huge role. We had more than 100 members join the PAC, and 86 employees increased their pledges, a huge percentage over prior years.

Increased our membership by 640.

Using PAC Match during our spring/summer fundraising campaign increased our participation results over our 2015 spring/summer campaign by 44%.

The PAC Match program is the leading incentive for general membership.

- **Increase incentive club membership**

No true impact on our incentive club membership.

It continues to help us build incentives for new and promoted executives. It's a "no-brainer" for those who already make contributions.

Very significant especially when it comes to upper levels of the company giving at guideline.

- **Other**

When first introduced PAC Match played a significant role in increasing all three categories.

It depends on the solicitation group and what drives the donor. For those who already contribute personally to charities, this is a big appeal.

Very significant -- without it, our PAC would be much smaller.

We've used and promoted it for 4 years -- very little interest or company participation, whether we limited contributions to United Way or not.

It's the best tool we have for recruitment.

Fairly effective with increasing a current PAC member's amount in order to qualify for PAC Match, but we didn't use it too much as an incentive for getting new PAC donors too heavily this past year.

It is significant all the time. Charitable giving is a positive aspect of PAC participation. Even when politics are negative.

### **Pitfalls to Avoid**

- **Do not underestimate the time involved to manage the program**

Plan to spend about two solid months dealing with charity match even if you have a vendor.

Time required to manage, especially when participation rates are low.

Do not underestimate the time required to process and distribute checks.

It can take a lot of time if you don't have a second staff member--or vendor to handle the admin paperwork.

Making program overly complicated; PAC match can be time consuming.

Charity match is a huge, overwhelming administrative burden if not set up simply.

- **Budget carefully**

Make sure your organization is truly committed to the program. Not being able to grow the annual budget allocation as the program grows, or worse having corporate cut the amount allocated, can and will cause significant problems later including people quitting the program and negating a lot of your PAC growth.

Overestimate your budget.

Projecting for future budget if your PAC grows. Similarly, matching too aggressively at the beginning and realizing that you can't maintain the match.

Not budgeting appropriately by underestimating participation.

Setting matching level too high; e.g. starting a program with match up to \$5000; if budget requires reduction, can cause unhappiness with contributors.

Matching funds cannot come from a corporate foundation.

- **Communicate clearly**

Try to make it as easy as possible for your employees to answer any questions that they might have about the charity match program.

Clearly stated guidelines.

Not having a clear process and clear criteria.

Not communicating clearly.

If launching PAC Match, be cognizant on how to message the program. There was a lot of confusion when we paired the PAC Match with United Way.

You can't communicate the program enough, so don't just announce the program, and then sit idly by.

Delay in time the check goes out.

It all comes down to message, communication, and engagement. It is important to have the PAC Board and other supporters, along with staff, prepared to answer any questions of the PAC Match program.

- **Know legal and compliance considerations**

Having to explain legal and tax implications (e.g., your PAC contribution or the company's match are not tax deductible to the contributor).

Internal compliance hurdles.

How charities are vetted, e.g., IRS, SDN, terrorist watch list, etc.

Be sure to include your General Counsel in discussions about the program.

- **Management considerations**

Administered internally or by vendor.

Use a customer service focused vendor.

Not having someone who can manage it.

I would certainly recommend using an outside vendor who has a lot of experience with the program.

Find a vendor to help you manage the program who is familiar and comfortable with operating a PAC match program.

Using an outside vendor solved some record keeping and administration errors which had become a nightmare. If people don't see the donation being delivered they become disgruntled. This program is worth administrative support to ensure seamless execution.

- **Program considerations**

Don't start too large. When beginning, start small and give benefit at a certain amount such a \$500 contribution or \$.50 cents to the dollar. Don't offer too many charities for small amounts of contributions. For example, if employee gives \$500--then you can PAC Match to 2 charities.

Don't impose many restrictions. Give people their choice. They love it.

Unlimited charities to choose from is hard to handle with a new PAC Match program.

Not setting minimum and maximum match amounts.

Better to start small and add benefits as program grows.

Limit choices to save costs.

Get buy-in with existing employee giving programs such as United Way - gives eligible employees a two for one!

Set a minimum suggested giving amount.

Start basic at first. We give to one charity once a year to ease the administrative burden since it's just the PAC manager and the vendor running the program (and less expensive administratively). It's much easier to add elements later (like doing more than one charity), but it would be extremely difficult to take criteria away from participants once the program has been established.

BEFORE you start one, benchmark and speak to other people. Know they take a lot of care and feeding and as much as you can lay and plan out, it's great. Be prepared for hiccups.

We decided not to limit the number of charities for participants to choose, and I think that was helpful.

We used a time-bound, capped PAC match incentive during our spring/summer fundraising campaign to pilot the program and gain internal support. Since it was marketed to employees as a one-time thing, we did not run the risk of starting a program and then having to scale it back.

Additionally, all funds were directed towards one charity, which made the administration easy. We stood up the program in less than 2 months.

I had a hard time getting internal input outside of the Government Affairs department. Asking for employees' input is helpful but keep their input limited.

Think long-term and match with PAC goals.

## APPENDIX

### Background on PAC Match Programs

Corporate and association PACs have used charitable matching gift, or PAC Match, programs since the Federal Election Commission (FEC) sanctioned them in 1986. A PAC Match program authorizes a company or trade or membership organization to donate treasury funds to non-profit 501(c)(3) charities in matching amounts that eligible employees or members have contributed to the PAC. These charities are named after section 501(c) of the Internal Revenue Code which provides for certain nonprofit organizations to be exempt from federal income taxes. PACs are not required to report whether they offer PAC Match programs.

The FEC has provided guidance on PAC Match programs in a series of Advisory Opinions over the years. The agency characterizes charitable donations for PAC Match as solicitation expenses. FEC regulations permit corporations to use general treasury monies to pay the “establishment, administration and solicitation costs” of a PAC with the requirement that payment of such expenses may not be used “as a means for exchanging treasury monies for voluntary contributions.” To assure that the exchange of treasury monies for voluntary contributions does not occur under PAC Match, the FEC prohibits PAC contributors from receiving any financial, tax or tangible benefit from the corporation or the recipient charity. Federal election law and regulations also place no limits on how much a PAC may spend on administrative and solicitation expenses.

In addition, the Internal Revenue Service (IRS) also prohibits PAC donors and corporations from receiving a charitable deduction for PAC Match donations. The IRS contends that corporations receive a substantial benefit or quid pro quo in return for donations to the employee-designated charity, and that these donations cannot be viewed as a true “gift” from the corporation.

Within these few but important restrictions, PAC Match programs operate with wide latitude.

Although PAC Match programs are attractive fundraising tools, they should not be established without careful forethought and planning. A PAC Match program cannot make up for a PAC that lacks senior leader support, robust communications and fundraising strategies and wise spending policies that demonstrate value and a commitment to full transparency.

## **PAC Match Models**

Based on the research, four models for PAC Match programs can be identified.

### **Ongoing/Open**

Year to year, all PAC donors receive a \$1:\$1 match up to the maximum of \$5,000 per calendar year and may designate any number of tax-exempt 501(c)(3) charities to receive a portion of the match.

Considerations:

*Increased administration in terms of time and expense, may require outside PAC Match vendor*

*Potential need for larger corporate budget*

*Increased “customer service” with PAC donors*

*Match can be directed by individual donor and result in greatest satisfaction*

*Potential for greatest receipts for the PAC*

### **Ongoing/Limited Open**

Offered on a year to year basis, but the program includes some restrictions in one or more of the following areas: donor eligibility, type or number of charities that donors may designate and amount of the match.

Considerations:

*Can help streamline program, increase manageability*

*Reduces potential for larger corporate budget*

*Limits “customer service” demands from PAC donors*

*Can still generate good donor satisfaction levels*

*Potential benefit to growing participation and receipts for the PAC is very good*

### **Ongoing/Contained**

Offered on a year to year basis, but PAC donors do not designate charities. The organization selects one or more charities to receive matching donations. Donor eligibility and amount of the matching contribution may or may not be limited.

Considerations:

*Simplifies administration and the matching process*

*May or may not reduce need for large corporate budget*

*Reduces or eliminates need for “customer service” with individual donors*

*Donor may or may not have strong affinity for charity selected by organization*  
*May help to grow participation and receipts in the PAC, depending on selected charity*

### **Occasional/Contained**

Similar to Ongoing/Contained model but the program may only be offered on an occasional basis in connection with an event or single PAC campaign. This may be the model most often used with members of trade and membership associations.

Considerations:

*Further simplifies administration and the matching process*

*Probably reduces need for large budget*

*Eliminates need for “customer service” with individual donors*

*Donor may or may not have strong affinity for charity selected by organization*

*May help to grow participation and receipts in the PAC, depending on selected charity*

## PAC Match Considerations

PACs of all sizes offer PAC Match programs to grow participation and receipts, and most will attest to the benefits of such programs. Before beginning a PAC Match program, a PAC should consider several factors.

1. Newly established PACs may not need PAC Match. There is always a percentage of individuals in the restricted class who will respond positively to supporting the PAC because they understand its value to the organization and themselves. PACs should consider the strength of this potential support without PAC Match.
2. Senior leaders are attracted to PAC Match. These individuals often are expected to make large charitable donations. This program gives them a “two-fer” – a way to support the PAC and also take care of some of their charitable giving obligations.
3. PAC Match may attract a PAC’s most intractable potential donors. If a restricted class includes individuals known to consistently doubt the efficacy and value of the PAC, PAC Match provides a different focus for them.
4. PAC Match is not a panacea. If a PAC has not executed robust and strategic communications and fundraising initiatives among the restricted class, PAC Match cannot mask this.
5. No data exists to prove that the scope of a PAC Match program determines its success. In other words, consider whether the PAC needs to start off as an “ongoing, open” model. The program is difficult to scale back, and the administrative burden can be substantial especially if the PAC has a large donor base.
6. PAC Match can be a “shot in the arm” for PACs that have exhausted other fundraising techniques. If growth has become static, PAC Match may help the PAC move to the next level.
7. PAC Match is attractive in organizations that have other strong charitable giving programs. It aligns the PAC with the organization’s culture and gives donors another reason to see their support in a positive light.
8. Build metrics into PAC Match. If there is any weakness to PAC Match programs, it is that they do not appear to employ strong metrics. Much of their value is buttressed with anecdotal reasons—that individual donors have said they support the PAC because of PAC Match. Too often, the introduction of a PAC Match program is combined with other new communications and

fundraising techniques that have never been used, and it is difficult to determine which of the new initiatives produced the best results.

9. Use PAC Match strategically. Offer PAC Match only in areas that will help the PAC achieve strategic goals, e.g.:
  - To increase the lowest level of giving
  - To move donors from checks to giving by payroll deduction
  - To attract more donors into incentive clubs
  - To encourage specific groups within the restrict class to give more
10. Budgeting is essential. If the PAC Match program is ongoing, the PAC will need to ensure an annual source of funds from its sponsoring organization or, in the case of associations, potentially from their members over above regular dues. If the program is offered on an occasional basis, the funding source must still be identified and adequate to meet the PAC's needs. The funds of an organization's foundation are generally not acceptable, because they would be used to advance political objectives and can jeopardize the tax-exempt status of the foundation.
11. An outside vendor may be necessary. This is especially true if the PAC has hundreds or thousands of donors who are able to designate multiple charities of their choice. The vendor can help to streamline the matching process.
12. Be prepared to promote PAC Match. PAC Match is always a selling point in PAC solicitations, but the PAC will need to regularly promote PAC Match among donors to remind them of the benefits and encourage them to designate charities.

## Overview of FEC & IRS Guidance

A number of regulations, advisory opinions, publications, rulings and memoranda from the Federal Election Commission and Internal Revenue Service provide guidance for organizations considering making PAC Match programs available to their PAC-eligible employees or members.

### FEC Law and Regulations generally applicable to PAC Match

1. *Matching voluntary political contributions to a PAC with charitable donations are viewed as solicitation expenses for the PAC and may be paid by the corporation.*

The Federal Election Campaign Act prohibits a corporation from making contributions or expenditures in connection with any Federal election. U.S.C. 441b(a). Excluded from the definition of “contributions and expenditures” are those costs that are paid by the corporation for “the establishment, administration and solicitation of contributions” to a separate segregated fund to be used for political purposes. 52 USC 20118(b)(2)(C)

2. *No individual contributor to the PAC may receive a financial, tax or other tangible benefit from either the corporation or the recipient charities.*

A connected organization may not use this process as a means of exchanging treasury monies for voluntary contributions. 11 CFR 114.5(b)

Contributors may not be paid for contributions through a bonus, expense account or other form of direct or indirect compensation. 11 CFR 114.5(b)(1)

### FEC Advisory Opinions & MURs about PAC Match

AO 1986-44 DETROIT EDISON received approval to match contributions from individual members of its PAC with equivalent charitable donations to any 501(C)(3) charity of their choosing.

AO 1987-18 TEXAS INDUSTRIES received approval to: 1) match contributions from individual members of its PAC with donations from the company in the form of cash and/or commodities; 2) limit the recipient charities to a group of 5-10 charities selected by management; and 3) distribute matching donations over a two year period after the political contributions are made.

AO 1988-48 THE NATIONAL AMERICAN WHOLESALE GROCERS' ASSOCIATION received approval to match contributions from

individual members of its PAC with equivalent donations to any 501(c)(3) charity of their choice.

- AO 1989-7 NEW JERSEY BELL TELEPHONE, a subsidiary of Bell Atlantic Company, received approval to match contributions from individual members of its PAC with equivalent donations to any 501(c)(3) charity of their choice. NJ Bell also planned to exclude charities that provide contributors with premiums, awards or other tangible benefits, and to specifically exclude the United Way. Contributors would, however, be able to designate any charity under the United Way umbrella.
- AO 1989-9 GENERAL DYNAMICS received approval to match contributions of \$200 or more from individual employees enrolling in the PAC for the first time with a donation by the company to any 501(c)(3) charity of their choice. Further, currently enrolled employees who increase their support above \$200 would be eligible to have that increase matched.
- AO 1990-6 PACIFIC POWER & LIGHT received approval to match contributions from individuals to its federal PAC with charitable donations by the company to any 501(c)(3) charity of their choice, despite a letter from Oregon's Secretary of State which prohibited such action based on state law. The FEC concluded that the Federal Election Campaign Act "supersedes and preempts any provision of State law with respect to Federal office." 52 USC 30143
- AO 1994-3 ENVIROSOURCE, INC. received approval to match contributions from individual members to its PAC with charitable donations by the company to any 501(c)(3) charity of their choice. This approval was granted both for employees of the company's restricted class and all other non-executive and non-administrative employees eligible to be solicited "twice yearly," as long as all requirements for conducting twice yearly solicitations are met.
- AO 1994-6 COORS BREWING CO. received approval to match 25 cents of every dollar contributed by individual members of its PAC with charitable donations to one charity selected by the PAC. As an alternative, donors would be able to designate one of four charities from a list determined by the PAC.

- AO 1994-7 THE GEON CO. received approval to match contributions of \$50 or more from individual members of its PAC with charitable donations by the company to any 501(c)(3) charity of their choice. Geon also was permitted to offer the matching contributions plan to non-executive employees, employees outside the restricted class, as long as doing so complied with all requirements of the Act and Regulations with respect to twice yearly solicitations.
- AO 2003-4 FREEPORT-McMORAN COPPER & GOLD, INC. received approval to match contributions from individual members of its PAC with equivalent charitable donations to any 501(C)(3) charity of their choosing. The FEC specifically provided approval also because the company planned to give written notice to each PAC contributor and recipient charity that the contributors cannot receive any tangible benefit in exchange for the matching contribution.
- AO 2003-33 ANHEUSER-BUSCH COMPANIES, INC. received approval to provide token prizes under its United Way program to individual members of its PAC who designate United Way as a recipient charity under the PAC's Charitable Matching Program. The value of the token prizes must be less than one-third the value of the contribution and does not amount to the exchange of corporate treasury money for voluntary contributions.
- AO 2003-39 The CREDIT UNION NATIONAL ASSOCIATION (CUNA) may permit its member credit unions that have provided prior written approval to CUNA's PAC to match contributions to the PAC from individuals in their restricted class with charitable donations to any 501(c)(3) charity of their choice.
- MUR 6873 The complaint alleged that WAL-MART STORES, INC. (Wal-Mart) improperly exchanged treasury funds for voluntary contributions by operating a 2:1 charitable matching program that encourages contributions to its separate segregated funds, Wal-Mart Stores Inc. PAC for Responsible Government (WALPAC). The Commission exercised its prosecutorial discretion and dismissed the allegations ruling that the value of that benefit/compensation would be *de minimis* and that the record contained no information suggesting any employee was coerced into making a contribution through the matching program.

## IRS Guidance

A few companies have taken PAC Match contributions as charitable deductions on their corporate tax filings, because it is not specifically prohibited by the Internal Revenue Code. However, private IRS letter rulings and a memorandum from the General Counsel's office have concluded otherwise. As a result, most companies do not declare PAC Match contributions as charitable deductions:

- 1) a matching charitable contribution granted to a 501(c)(3) organization should not be re-characterized as payment of compensation to the employee and a subsequent payment by the employee to the 501(c)(3) organization.

G.C.M. 39,877 (August 27, 1992); Rev. Rul. 67-137, 1967-1 C.B. 63.; and

- 2) a corporation may not receive a tax deduction for matching charitable donations.

G.C.M. 39,877 (August 27, 1992); Rev. Rul. 67-137, 1967-1 C.B. 63.

G.C.M. 39,877 may be viewed at the end of this section.

In addition, corporations may not categorize charitable gifts as business or administrative expenses for tax deduction purposes. (cite?)

## Using Foundation Funds for PAC Match Contributions

The IRS notes that an employee's contribution to a PAC provides a benefit to the corporation and the corporation's subsequent gift to the charity is a *quid pro quo* for the employee's act. However, the IRS has not taken a position on whether a PAC Match gift may be granted from a corporate foundation. Foundations are not known to use their funds for PAC match gifts, because the gifts are a *quid pro quo* for donations to the PAC and can be seen as expenditures for influencing public elections.

Source: *Company Foundations and the Self-Dealing Rules*, 2002, Jane C. Nober