

Taxing Politics: Using the IRC for Regulation of Political Activity

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The regulation of political activity and organizations raises a number of concerns. However, there is a need for limited regulation of political activity and political organizations. This role is served primarily by the Federal Election Commission. However, the Internal Revenue Service, using the Internal Revenue Code, also serves a role in regulating political organizations, albeit limited. The use of the IRC as a tool for political activity regulation centers around four themes: the restricted deductibility of lobbying and campaign expenditures, the denial of deduction treatment for campaign contributions, restrictions on political activities by tax-exempt IRC section 501(c) organizations, and the IRS' oversight of section 527 organizations. This paper reviews the various political activity provisions within the IRC, with particular emphasis on section 527 dealing with political organizations. This paper concludes with an analysis of various reform proposals.