

**Calendar No. 392**

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

**H. R. 513**

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IN THE SENATE OF THE UNITED STATES

APRIL 6, 2006

Received; read twice and placed on the calendar

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**AN ACT**

To amend the Federal Election Campaign Act of 1971 to clarify when organizations described in section 527 of the Internal Revenue Code of 1986 must register as political committees, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2       This Act may be cited as the “527 Reform Act of  
3 2006”.

4 **SEC. 2. TREATMENT OF SECTION 527 ORGANIZATIONS.**

5       (a) **DEFINITION OF POLITICAL COMMITTEE.**—Sec-  
6 tion 301(4) of the Federal Election Campaign Act of 1971  
7 (2 U.S.C. 431(4)) is amended—

8           (1) by striking the period at the end of sub-  
9 paragraph (C) and inserting “; or”; and

10          (2) by adding at the end the following:

11           “(D) any applicable 527 organization.”.

12       (b) **DEFINITION OF APPLICABLE 527 ORGANIZA-**  
13 **TION.**—Section 301 of such Act (2 U.S.C. 431) is amend-  
14 ed by adding at the end the following new paragraph:

15       “(27) **APPLICABLE 527 ORGANIZATION.**—

16           “(A) **IN GENERAL.**—For purposes of paragraph  
17 (4)(D), the term ‘applicable 527 organization’ means  
18 a committee, club, association, or group of persons  
19 that—

20           “(i) has given notice to the Secretary of  
21 the Treasury under section 527(i) of the Inter-  
22 nal Revenue Code of 1986 that it is to be treat-  
23 ed as an organization described in section 527  
24 of such Code; and

25           “(ii) is not described in subparagraph (B).

1           “(B) EXCEPTED ORGANIZATIONS.—A com-  
2       mittee, club, association, or other group of persons  
3       described in this subparagraph is—

4           “(i) an organization described in section  
5       527(i)(5) of the Internal Revenue Code of  
6       1986;

7           “(ii) an organization which is a committee,  
8       club, association or other group of persons that  
9       is organized, operated, and makes disburse-  
10      ments exclusively for paying expenses described  
11      in the last sentence of section 527(e)(2) of the  
12      Internal Revenue Code of 1986 or expenses of  
13      a newsletter fund described in section 527(g) of  
14      such Code;

15          “(iii) an organization which is a com-  
16      mittee, club, association, or other group that  
17      consists solely of candidates for State or local  
18      office, individuals holding State or local office,  
19      or any combination of either, but only if the or-  
20      ganization refers only to one or more non-Fed-  
21      eral candidates or applicable State or local  
22      issues in all of its voter drive activities and does  
23      not refer to a Federal candidate or a political  
24      party in any of its voter drive activities; or

1 “(iv) an organization described in subpara-  
2 graph (C).

3 “(C) APPLICABLE ORGANIZATION.—For pur-  
4 poses of subparagraph (B)(iv), an organization de-  
5 scribed in this subparagraph is a committee, club,  
6 association, or other group of persons whose election  
7 or nomination activities relate exclusively to—

8 “(i) elections where no candidate for Fed-  
9 eral office appears on the ballot; or

10 “(ii) one or more of the following purposes:

11 “(I) Influencing the selection, nomina-  
12 tion, election, or appointment of one or  
13 more candidates to non-Federal offices.

14 “(II) Influencing one or more applica-  
15 ble State or local issues.

16 “(III) Influencing the selection, ap-  
17 pointment, nomination, or confirmation of  
18 one or more individuals to non-elected of-  
19 fices.

20 “(D) EXCLUSIVITY TEST.—A committee, club,  
21 association, or other group of persons shall not be  
22 treated as meeting the exclusivity requirement of  
23 subparagraph (C) if it makes disbursements aggre-  
24 gating more than \$1,000 for any of the following:

1           “(i) A public communication that pro-  
2           motes, supports, attacks, or opposes a clearly  
3           identified candidate for Federal office during  
4           the 1-year period ending on the date of the gen-  
5           eral election for the office sought by the clearly  
6           identified candidate (or, if a runoff election is  
7           held with respect to such general election, on  
8           the date of the runoff election).

9           “(ii) Any voter drive activity during a cal-  
10          endar year, except that no disbursements for  
11          any voter drive activity shall be taken into ac-  
12          count under this subparagraph if the com-  
13          mittee, club, association, or other group of per-  
14          sons during such calendar year—

15               “(I) makes disbursements for voter  
16               drive activities with respect to elections in  
17               only 1 State and complies with all applica-  
18               ble election laws of that State, including  
19               laws related to registration and reporting  
20               requirements and contribution limitations;

21               “(II) refers to one or more non-Fed-  
22               eral candidates or applicable State or local  
23               issues in all of its voter drive activities and  
24               does not refer to any Federal candidate or

1 any political party in any of its voter drive  
2 activities;

3 “(III) does not have a candidate for  
4 Federal office, an individual who holds any  
5 Federal office, a national political party, or  
6 an agent of any of the foregoing, control or  
7 materially participate in the direction of  
8 the organization, solicit contributions to  
9 the organization (other than funds which  
10 are described under clauses (i) and (ii) of  
11 section 323(e)(1)(B)), or direct disburse-  
12 ments, in whole or in part, by the organi-  
13 zation; and

14 “(IV) makes no contributions to Fed-  
15 eral candidates.

16 “(E) CERTAIN REFERENCES TO FEDERAL CAN-  
17 DIDATES NOT TAKEN INTO ACCOUNT.—For purposes  
18 of subparagraphs (B)(iii) and (D)(ii)(II), a voter  
19 drive activity shall not be treated as referring to a  
20 clearly identified Federal candidate if the only ref-  
21 erence to the candidate in the activity is—

22 “(i) a reference in connection with an elec-  
23 tion for a non-Federal office in which such Fed-  
24 eral candidate is also a candidate for such non-  
25 Federal office; or

1           “(ii) a reference to the fact that the can-  
2           didate has endorsed a non-Federal candidate or  
3           has taken a position on an applicable State or  
4           local issue, including a reference that con-  
5           stitutes the endorsement or position itself.

6           “(F) CERTAIN REFERENCES TO POLITICAL  
7           PARTIES NOT TAKEN INTO ACCOUNT.—For purposes  
8           of subparagraphs (B)(iii) and (D)(ii)(II), a voter  
9           drive activity shall not be treated as referring to a  
10          political party if the only reference to the party in  
11          the activity is—

12               “(i) a reference for the purpose of identi-  
13               fying a non-Federal candidate;

14               “(ii) a reference for the purpose of identi-  
15               fying the entity making the public communica-  
16               tion or carrying out the voter drive activity; or

17               “(iii) a reference in a manner or context  
18               that does not reflect support for or opposition  
19               to a Federal candidate or candidates and does  
20               reflect support for or opposition to a State or  
21               local candidate or candidates or an applicable  
22               State or local issue.

23           “(G) APPLICABLE STATE OR LOCAL ISSUE.—  
24           For purposes of this paragraph, the term ‘applicable  
25           State or local issue’ means any State or local ballot

1 initiative, State or local referendum, State or local  
2 constitutional amendment, State or local bond issue,  
3 or other State or local ballot issue.”.

4 (c) DEFINITION OF VOTER DRIVE ACTIVITY.—Sec-  
5 tion 301 of such Act (2 U.S.C. 431), as amended by sub-  
6 section (b), is further amended by adding at the end the  
7 following new paragraph:

8 “(28) VOTER DRIVE ACTIVITY.—The term ‘voter  
9 drive activity’ means any of the following activities con-  
10 ducted in connection with an election in which a candidate  
11 for Federal office appears on the ballot (regardless of  
12 whether a candidate for State or local office also appears  
13 on the ballot):

14 “(A) Voter registration activity.

15 “(B) Voter identification.

16 “(C) Get-out-the-vote activity.

17 “(D) Generic campaign activity.

18 “(E) Any public communication related to ac-  
19 tivities described in subparagraphs (A) through (D).

20 Such term shall not include any activity described in sub-  
21 paragraph (A) or (B) of section 316(b)(2).”.



1 **SEC. 3. RULES FOR ALLOCATION OF EXPENSES BETWEEN**  
 2 **FEDERAL AND NON-FEDERAL ACTIVITIES.**

3 (a) IN GENERAL.—Title III of the Federal Election  
 4 Campaign Act of 1971 (2 U.S.C. 431 et seq.) is amended  
 5 by adding at the end the following:

6 **“SEC. 325. ALLOCATION AND FUNDING RULES FOR CER-**  
 7 **TAIN EXPENSES RELATING TO FEDERAL AND**  
 8 **NON-FEDERAL ACTIVITIES.**

9 “(a) IN GENERAL.—In the case of any disbursements  
 10 by any political committee that is a separate segregated  
 11 fund or nonconnected committee for which allocation rules  
 12 are provided under subsection (b)—

13 “(1) the disbursements shall be allocated be-  
 14 tween Federal and non-Federal accounts in accord-  
 15 ance with this section and regulations prescribed by  
 16 the Commission; and

17 “(2) in the case of disbursements allocated to  
 18 non-Federal accounts, may be paid only from a  
 19 qualified non-Federal account.

20 “(b) COSTS TO BE ALLOCATED AND ALLOCATION  
 21 RULES.—

22 “(1) IN GENERAL.—Disbursements by any sep-  
 23 arate segregated fund or nonconnected committee,  
 24 other than an organization described in section  
 25 323(b)(1), for any of the following categories of ac-  
 26 tivity shall be allocated as follows:

1           “(A) 100 percent of the expenses for public  
2           communications or voter drive activities that  
3           refer to one or more clearly identified Federal  
4           candidates, but do not refer to any clearly identified  
5           non-Federal candidates, shall be paid with  
6           funds from a Federal account, without regard  
7           to whether the communication refers to a political  
8           party.

9           “(B) At least 50 percent, or a greater percentage  
10          if the Commission so determines by  
11          regulation, of the expenses for public communications  
12          and voter drive activities that refer to  
13          one or more clearly identified candidates for  
14          Federal office and one or more clearly identified  
15          non-Federal candidates shall be paid with funds  
16          from a Federal account, without regard to  
17          whether the communication refers to a political  
18          party.

19          “(C) At least 50 percent, or a greater percentage  
20          if the Commission so determines by  
21          regulation, of the expenses for public communications  
22          or voter drive activities that refer to  
23          a political party, but do not refer to any clearly  
24          identified Federal or non-Federal candidate,  
25          shall be paid with funds from a Federal ac-

1 count, except that this paragraph shall not  
2 apply to communications or activities that re-  
3 late exclusively to elections where no candidate  
4 for Federal office appears on the ballot.

5 “(D) At least 50 percent, or a greater per-  
6 centage if the Commission so determines by  
7 regulation, of the expenses for public commu-  
8 nications or voter drive activities that refer to  
9 a political party and refer to one or more clear-  
10 ly identified non-Federal candidates, but do not  
11 refer to any clearly identified Federal can-  
12 didates, shall be paid with funds from a Federal  
13 account, except that this paragraph shall not  
14 apply to communications or activities that re-  
15 late exclusively to elections where no candidate  
16 for Federal office appears on the ballot.

17 “(E) Unless otherwise determined by the  
18 Commission in its regulations, at least 50 per-  
19 cent of any administrative expenses, including  
20 rent, utilities, office supplies, and salaries not  
21 attributable to a clearly identified candidate,  
22 shall be paid with funds from a Federal ac-  
23 count, except that for a separate segregated  
24 fund such expenses may be paid instead by its  
25 connected organization.

1           “(F) At least 50 percent, or a greater per-  
2           centage if the Commission so determines by  
3           regulation, of the direct costs of a fundraising  
4           program or event, including disbursements for  
5           solicitation of funds and for planning and ad-  
6           ministration of actual fundraising events, where  
7           Federal and non-Federal funds are collected  
8           through such program or event shall be paid  
9           with funds from a Federal account, except that  
10          for a separate segregated fund such costs may  
11          be paid instead by its connected organization.  
12          This paragraph shall not apply to any fund-  
13          raising solicitations or any other activity that  
14          constitutes a public communication.

15          “(2) CERTAIN REFERENCES TO FEDERAL CAN-  
16          DIDATES NOT TAKEN INTO ACCOUNT.—For purposes  
17          of paragraph (1), a public communication or voter  
18          drive activity shall not be treated as referring to a  
19          clearly identified Federal candidate if the only ref-  
20          erence to the candidate in the communication or ac-  
21          tivity is—

22                 “(A) a reference in connection with an  
23                 election for a non-Federal office in which such  
24                 Federal candidate is also a candidate for such  
25                 non-Federal office; or

1           “(B) a reference to the fact that the can-  
2           didate has endorsed a non-Federal candidate or  
3           has taken a position on an applicable State or  
4           local issue (as defined in section 301(27)(G)),  
5           including a reference that constitutes the en-  
6           dorsement or position itself.

7           “(3) CERTAIN REFERENCES TO POLITICAL PAR-  
8           TIES NOT TAKEN INTO ACCOUNT.—For purposes of  
9           paragraph (1), a public communication or voter  
10          drive activity shall not be treated as referring to a  
11          political party if the only reference to the party in  
12          the communication or activity is—

13               “(A) a reference for the purpose of identi-  
14               fying a non-Federal candidate;

15               “(B) a reference for the purpose of identi-  
16               fying the entity making the public communica-  
17               tion or carrying out the voter drive activity; or

18               “(C) a reference in a manner or context  
19               that does not reflect support for or opposition  
20               to a Federal candidate or candidates and does  
21               reflect support for or opposition to a State or  
22               local candidate or candidates or an applicable  
23               State or local issue.

24          “(c) QUALIFIED NON-FEDERAL ACCOUNT.—

1           “(1) IN GENERAL.—For purposes of this sec-  
2           tion, the term ‘qualified non-Federal account’ means  
3           an account which consists solely of amounts—

4                   “(A) that, subject to the limitations of  
5                   paragraphs (2) and (3), are raised by the sepa-  
6                   rate segregated fund or nonconnected com-  
7                   mittee only from individuals, and

8                   “(B) with respect to which all require-  
9                   ments of Federal, State, or local law (including  
10                  any law relating to contribution limits) are met.

11          “(2) LIMITATION ON INDIVIDUAL DONA-  
12          TIONS.—

13                  “(A) IN GENERAL.—A separate segregated  
14                  fund or nonconnected committee may not ac-  
15                  cept more than \$25,000 in funds for its quali-  
16                  fied non-Federal account from any one indi-  
17                  vidual in any calendar year.

18                  “(B) AFFILIATION.—For purposes of this  
19                  paragraph, all qualified non-Federal accounts of  
20                  separate segregated funds or nonconnected  
21                  committees which are directly or indirectly es-  
22                  tablished, financed, maintained, or controlled by  
23                  the same person or persons shall be treated as  
24                  one account.

25          “(3) FUNDRAISING LIMITATION.—

1           “(A) IN GENERAL.—No donation to a  
2           qualified non-Federal account may be solicited,  
3           received, directed, transferred, or spent by or in  
4           the name of any person described in subsection  
5           (a) or (e) of section 323.

6           “(B) FUNDS NOT TREATED AS SUBJECT  
7           TO ACT.—Except as provided in subsection  
8           (a)(2) and this subsection, any funds raised for  
9           a qualified non-Federal account in accordance  
10          with the requirements of this section shall not  
11          be considered funds subject to the limitations,  
12          prohibitions, and reporting requirements of this  
13          Act for any purpose (including for purposes of  
14          subsection (a) or (e) of section 323 or sub-  
15          section (d)(1) of this section).

16          “(d) DEFINITIONS.—

17               “(1) FEDERAL ACCOUNT.—The term ‘Federal  
18               account’ means an account which consists solely of  
19               contributions subject to the limitations, prohibitions,  
20               and reporting requirements of this Act. Nothing in  
21               this section or in section 323(b)(2)(B)(iii) shall be  
22               construed to infer that a limit other than the limit  
23               under section 315(a)(1)(C) applies to contributions  
24               to the account.

1           “(2) NONCONNECTED COMMITTEE.—The term  
2           ‘nonconnected committee’ shall not include a polit-  
3           ical committee of a political party.

4           “(3) VOTER DRIVE ACTIVITY.—The term ‘voter  
5           drive activity’ has the meaning given such term in  
6           section 301(28).”.

7           (b) REPORTING REQUIREMENTS.—Section 304(e) of  
8           the Federal Election Campaign Act of 1971 (2 U.S.C.  
9           434(e)) is amended—

10           (1) by redesignating paragraphs (3) and (4) as  
11           paragraphs (4) and (5); and

12           (2) by inserting after paragraph (2) the fol-  
13           lowing new paragraph:

14           “(3) RECEIPTS AND DISBURSEMENTS FROM  
15           QUALIFIED NON-FEDERAL ACCOUNTS.—In addition  
16           to any other reporting requirement applicable under  
17           this Act, a political committee to which section  
18           325(a) applies shall report all receipts and disburse-  
19           ments from a qualified non-Federal account (as de-  
20           fined in section 325(c)).”.



1 **SEC. 4. REPEAL OF LIMIT ON AMOUNT OF PARTY EXPENDI-**  
2 **TURES ON BEHALF OF CANDIDATES IN GEN-**  
3 **ERAL ELECTIONS.**

4 (a) REPEAL OF LIMIT.—Section 315(d) of the Fed-  
5 eral Election Campaign Act of 1971 (2 U.S.C. 441a(d))  
6 is amended—

7 (1) in paragraph (1)—

8 (A) by striking “(1) Notwithstanding any  
9 other provision of law with respect to limita-  
10 tions on expenditures or limitations on con-  
11 tributions, the national committee” and insert-  
12 ing “Notwithstanding any other provision of  
13 law with respect to limitations on amounts of  
14 expenditures or contributions, a national com-  
15 mittee”,

16 (B) by striking “the general” and inserting  
17 “any”, and

18 (C) by striking “Federal office, subject to  
19 the limitations contained in paragraphs (2), (3),  
20 and (4) of this subsection” and inserting “Fed-  
21 eral office in any amount”; and

22 (2) by striking paragraphs (2), (3), and (4).

23 (b) CONFORMING AMENDMENTS.—

24 (1) INDEXING.—Section 315(c) of such Act (2  
25 U.S.C. 441a(c)) is amended—

1 (A) in paragraph (1)(B)(i), by striking  
 2 “(d),”; and

3 (B) in paragraph (2)(B)(i), by striking  
 4 “subsections (b) and (d)” and inserting “sub-  
 5 section (b)”.

6 (2) INCREASE IN LIMITS FOR SENATE CAN-  
 7 DIDATES FACING WEALTHY OPPONENTS.—Section  
 8 315(i) of such Act (2 U.S.C. 441a(i)(1)) is amend-  
 9 ed—

10 (A) in paragraph (1)(C)(iii)—

11 (i) by adding “and” at the end of sub-  
 12 clause (I),

13 (ii) in subclause (II), by striking “;  
 14 and” and inserting a period, and

15 (iii) by striking subclause (III);

16 (B) in paragraph (2)(A) in the matter pre-  
 17 ceding clause (i), by striking “, and a party  
 18 committee shall not make any expenditure,”;

19 (C) in paragraph (2)(A)(ii), by striking  
 20 “and party expenditures previously made”; and

21 (D) in paragraph (2)(B), by striking “and  
 22 a party shall not make any expenditure”.

23 (3) INCREASE IN LIMITS FOR HOUSE CAN-  
 24 DIDATES FACING WEALTHY OPPONENTS.—Section

1       315A(a) of such Act (2 U.S.C. 441a–1(a)) is amend-  
2       ed—

3               (A) in paragraph (1)—

4                   (i) by adding “and” at the end of sub-  
5       paragraph (A),

6                   (ii) in subparagraph (B), by striking  
7       “; and” and inserting a period, and

8                   (iii) by striking subparagraph (C);

9               (B) in paragraph (3)(A) in the matter pre-  
10       ceding clause (i), by striking “, and a party  
11       committee shall not make any expenditure,”;

12               (C) in paragraph (3)(A)(ii), by striking  
13       “and party expenditures previously made”; and

14               (D) in paragraph (3)(B), by striking “and  
15       a party shall not make any expenditure”.

16   **SEC. 5. CONSTRUCTION.**

17       No provision of this Act, or amendment made by this  
18       Act, shall be construed—

19               (1) as approving, ratifying, or endorsing a regu-  
20       lation promulgated by the Federal Election Commis-  
21       sion;

22               (2) as establishing, modifying, or otherwise af-  
23       fecting the definition of political organization for  
24       purposes of the Internal Revenue Code of 1986; or

1           (3) as affecting the determination of whether a  
2           group organized under section 501(c) of the Internal  
3           Revenue Code of 1986 is a political committee under  
4           section 301(4) of the Federal Election Campaign  
5           Act of 1971.

6 **SEC. 6. JUDICIAL REVIEW.**

7           (a) SPECIAL RULES FOR ACTIONS BROUGHT ON  
8           CONSTITUTIONAL GROUNDS.—If any action is brought for  
9           declaratory or injunctive relief to challenge the constitu-  
10          tionality of any provision of this Act or any amendment  
11          made by this Act, the following rules shall apply:

12           (1) The action shall be filed in the United  
13           States District Court for the District of Columbia  
14           and shall be heard by a 3-judge court convened pur-  
15           suant to section 2284 of title 28, United States  
16           Code.

17           (2) A copy of the complaint shall be delivered  
18           promptly to the Clerk of the House of Representa-  
19           tives and the Secretary of the Senate.

20           (3) A final decision in the action shall be re-  
21           viewable only by appeal directly to the Supreme  
22           Court of the United States. Such appeal shall be  
23           taken by the filing of a notice of appeal within 10  
24           days, and the filing of a jurisdictional statement  
25           within 30 days, of the entry of the final decision.

1           (4) It shall be the duty of the United States  
2       District Court for the District of Columbia and the  
3       Supreme Court of the United States to advance on  
4       the docket and to expedite to the greatest possible  
5       extent the disposition of the action and appeal.

6       (b) INTERVENTION BY MEMBERS OF CONGRESS.—In  
7       any action in which the constitutionality of any provision  
8       of this Act or any amendment made by this Act is raised  
9       (including but not limited to an action described in sub-  
10      section (a)), any Member of the House of Representatives  
11      (including a Delegate or Resident Commissioner to Con-  
12      gress) or Senate shall have the right to intervene either  
13      in support of or opposition to the position of a party to  
14      the case regarding the constitutionality of the provision  
15      or amendment. To avoid duplication of efforts and reduce  
16      the burdens placed on the parties to the action, the court  
17      in any such action may make such orders as it considers  
18      necessary, including orders to require intervenors taking  
19      similar positions to file joint papers or to be represented  
20      by a single attorney at oral argument.

21      (c) CHALLENGE BY MEMBERS OF CONGRESS.—Any  
22      Member of Congress may bring an action, subject to the  
23      special rules described in subsection (a), for declaratory  
24      or injunctive relief to challenge the constitutionality of any  
25      provision of this Act or any amendment made by this Act.

1 (d) APPLICABILITY.—

2 (1) INITIAL CLAIMS.—With respect to any ac-  
3 tion initially filed on or before December 31, 2008,  
4 the provisions of subsection (a) shall apply with re-  
5 spect to each action described in such subsection.

6 (2) SUBSEQUENT ACTIONS.—With respect to  
7 any action initially filed after December 31, 2008,  
8 the provisions of subsection (a) shall not apply to  
9 any action described in such subsection unless the  
10 person filing such action elects such provisions to  
11 apply to the action.

12 **SEC. 7. EFFECTIVE DATE.**

13 The amendments made by this Act shall take effect  
14 on the date of the enactment of this Act.

Passed the House of Representatives April 5, 2006.

Attest:

KAREN L. HAAS,

*Clerk.*



Calendar No. 392

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> Session

**H. R. 513**

**AN ACT**

To amend the Federal Election Campaign Act of 1971 to clarify when organizations described in section 527 of the Internal Revenue Code of 1986 must register as political committees, and for other purposes.

APRIL 6, 2006

Received; read twice and placed on the calendar