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United States Senate

COMMITTEE ON FINANCE

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PRESIDENTIAL ELECTION CAMPAIGN FUND ACT OF 1966

(Title III of Public Law 89-809)

Background

In the past, political campaigns for the Presidency (and the Vice Presidency) have been financed generally through voluntary contributions by individuals and corporations. In some instances devices have been perfected to disguise these voluntary contributions as trade or business expenses in order to obtain a tax deduction for the amounts involved. Each time one of these devices has been detected Congress has acted to prevent its continuation, and, conversely, each time Congress has acted it has made political campaign financing more difficult.

Against this background, it has become increasingly clear that new methods of financing political campaigns must be found.

General Description

The Presidential Election Campaign Fund Act of 1966 authorizes individual taxpayers to designate on their annual tax returns that \$1 of their income tax may be placed in a presidential election campaign fund for the purpose of defraying expenses incurred by political parties in running candidates for President and Vice President. Under the act, only political parties whose candidates received at least 5 million votes in the preceding presidential election are eligible for payments from the fund.

The reimbursement rules are different under the act for major parties and minor parties, but they have three common features. First, all parties are to be subject to a \$5 million floor, for which no reimbursement is to be allowed. Second, payments to any political party are to be limited solely to reimbursement of presidential (and vice-presidential) campaign expenses actually incurred by the party in connection with a current election. Third, payments in every case are calculated on the basis of votes cast in the prior presidential election.

A minor party (one whose candidate for President polled more than 5 million but less than 15 million votes in the prior election) is to be eligible for reimbursements from the fund up to \$1 for each vote in excess of 5 million that its candidate received in the preceding presidential election.

A major party (one whose candidate polled 15 million votes or more in the preceding presidential election) is to be eligible for reimbursement from the fund of up to \$1 times the number of votes cast for the presidential candidates of all the major parties in the preceding election, divided by the number of major parties. As in the case of minor parties, the amount actually paid over to any major party is to be reduced by \$5 million.

On the basis of the 1964 presidential election, only two major parties would be entitled to reimbursements with respect to their 1968 campaigns. Approximately 70 million votes were cast for their candidates in 1964, and after a reduction of \$5 million for each major party, the maximum reimbursable amount would be fixed at approximately \$60 million. Each party would be eligible for reimbursement of up to \$30 million of expenses it actually incurs during the 1968 presidential campaign.

The Comptroller General of the United States is authorized to determine the campaign expenses of the political parties and to determine the amounts which may be paid to them. An advisory board is established to advise and assist the Comptroller General with his duties under this act.

Transfers to the Fund

Space will be provided on the income tax return forms to permit each individual taxpayer (other than a nonresident alien or an estate or trust) to designate, if he so desires, that \$1 of his tax is to be paid into the Presidential Election Campaign Fund. The voluntary act of a taxpayer will thus determine the size of the fund; and, unless he chooses to have a portion of his tax used for financing political campaigns, none of his tax will go into the fund.

Any taxpayer who shows an income tax liability of at least \$1 on his return for the year may make an assignment. On joint returns, both husband and wife may designate provided the tax liability shown on the return is at least \$2. The election is to be made at the time of filing the return or at such later time as may be provided in regulations (such as at the time of making a claim for refund of an overpayment of tax).