July 5, 2017

The Honorable Tom Graves
Chairman
House Appropriations Subcommittee on
Financial Services and General Government
Washington, D.C. 20515

The Honorable Mike Quigley
Ranking Member
House Appropriations Subcommittee on
Financial Services and General Government
Washington, D.C. 20515

Dear Chairman Graves and Ranking Member Quigley:

The Campaign Legal Center strongly urges you to oppose two provisions in the Financial Services and General Government Appropriations Act of 2018 that threaten to undermine important protections for the democratic process.

Section 116 of the Act would make it effectively impossible for the Internal Revenue Service (IRS) to enforce a long-standing federal law prohibiting the use of tax-deductible resources for partisan political activity.

The prohibition on political intervention by charities—adopted during the Eisenhower administration—prevents houses of worship and charities from operating as tax-deductible vehicles for donors to secretly influence elections. Entities incorporated under Section 501(c)(3) of the Internal Revenue Code are subsidized by taxpayers for their charitable, religious, and educational work, not for partisan political activity. Absent this prohibition, wealthy political donors could receive a charitable tax deduction for their secret partisan political spending.

Section 116 would undermine enforcement of this commonsense, longstanding law that has been strengthened and affirmed on a bipartisan basis by administration of both parties since the 1950s. The provision requires consent from the IRS Commissioner and two committees in Congress before a house of worship engaged in partisan political activity may be investigated—which would politicize and likely halt investigations into violations of the tax code.

A whitepaper outlining the history of the political activities prohibition and the implications of its repeal is available here.

Additionally, Section 629 of the Act would hinder the ability of the Securities and Exchange Commission (SEC) to protect investors by blocking the SEC from studying, developing, proposing, finalizing, issuing, or implementing a rule requiring public companies to disclose political spending to shareholders. This proposal goes beyond inappropriate riders included in past appropriations measures by prohibiting the SEC from even *studying* such a rule.

Disclosure of corporate political spending has immense value for investors and serves as a key tool to promote transparency for shareholders and the public-at-large. It gives potential investors a better understanding of how companies operate and promotes a truly free market. Shareholders have a legitimate interest in knowing how their money is being spent and how those expenditures may impact the value of their investments. The ability of companies, their management, and their boards to spend resources for political purposes without shareholders' knowledge gives rise to significant investor protection and corporate governance concerns.

The Supreme Court's 2010 *Citizens United v. FEC* decision fundamentally changed our nation's campaign finance laws. In the years since that decision, at least $800 million has been spent on political advertising by organizations that do not disclose their donors. This year, "[u]ndisclosed donors provided nearly half of the more than $20 million in outside campaign spending" in the three hotly contested 2017 special elections for U.S. House seats in Georgia, Montana, and South Carolina, according to an analysis by *Bloomberg BNA*. The result is that investor demand for this information has only increased, as the magnitude of the problem and the potential for abuse has skyrocketed.

We urge you to oppose any effort to undermine the political activities prohibition and the integrity of the SEC.

Sincerely,

Trevor Potter
President, Campaign Legal Center

Brendan Fischer
Director, Federal and FEC Reform Program