

U.S. Income Tax Return for Certain Political Organizations

To be filed by those organizations having taxable income (line 19).

► For Paperwork Reduction Act Notice, see instructions on page 3.

1981

For calendar year 1981 or other tax year beginning _____, 1981 and ending _____, 19 _____.

Note: If you are a section 501(c) organization (see instruction A.3) or a separate segregated fund described in section 527(f)(3), check here .

Please print or type	Name of organization	Employer identification number (see instruction O)
	Number and street	Date organization formed
	City or town, State and ZIP code	If you are a fiscal year principal campaign committee (see instructions on page 5), check here <input type="checkbox"/>

Enter name of candidate _____ The books are in care of _____
 Located at _____ Telephone No. _____

Gross Income	1 Dividends (attach schedule)	1
	2 Interest on obligations of the United States and U.S. instrumentalities	2
	3 Other interest	3
	4 Gross rents	4
	5 Gross royalties	5
	6 (a) Capital gain net income from Schedule D (Form 1120), line 11 (attach separate Schedule D (Form 1120))	6(a)
	(b) Net gain or (loss) from Form 4797, line 11(a), Part II (attach Form 4797)	6(b)
	7 Other income (see "Note" in instruction D—attach schedule)	7
8 Total income (add lines 1 through 7)	8	

Deductions	9 (a) Salaries and wages 9(b) Less WIN credit from Form 4874, line 12 Balance ►	9(c)
	10 Repairs	10
	11 Rents	11
	12 Taxes	12
	13 Interest	13
	14 Depreciation from Form 4562 (attach Form 4562), less depreciation claimed elsewhere on the return Balance ►	14
	15 Other deductions (attach schedule)	15
	16 Total deductions (add lines 9 through 15)	16
	17 Taxable income before specific deduction of \$100 (line 8 less line 16). (Section 501(c) organizations show: (a) amount of net investment income (see instruction A3(b)(ii)) ► (b) aggregate amount expended for an exempt function (attach schedule) ► and enter on line 17, the lesser of (a) or (b)	17
	18 Less specific deduction of \$100 (not allowed for newsletter funds defined under section 527(g))	18
19 Taxable income (subtract line 18 from line 17)	19	

Tax	20 46% of line 19	20
	21 Income tax (line 20 or alternative tax from Schedule D (Form 1120), line 17, whichever is less)	21
	22 (a) Work incentive (WIN) credit (attach Form 4874) (b) Foreign tax credit (attach Form 1118)	22
	23 Total—Add lines 22(a) and (b)	23
	24 Total tax—Subtract line 23 from line 21	24
	25 Credits: (a) Tax deposited: Form 7004 Form 7005 (attach) Total ► (b) Credit from regulated investment companies (attach Form 2439)	25
	26 Tax due (subtract line 25 from line 24). See instruction I for depositary method of payment	26
27 Overpayment (subtract line 24 from line 25)	27	

Foreign Financial Accounts and Foreign Trusts

1 At any time during the tax year, did you have an interest in or a signature or other authority over a bank account, securities account, or other financial account in a foreign country (see instruction T)? Yes No

2 Were you the grantor of, or transferor to, a foreign trust which existed during the current tax year, whether or not you have any beneficial interest in it? Yes No
 If "Yes," you may have to file Forms 3520, 3520-A or 926.

Please Sign Here

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Paid Preparer's Use Only

Preparer's signature _____ Date _____ Check if self-employed Preparer's social security no. _____

Firm's name (or yours, if self-employed) and address _____ E.I. No. _____ ZIP code _____

Schedule L.—Balance Sheets

	Beginning of Tax Year		End of Tax Year		
	(A)	(B)	(C)	(D)	
Assets					
1 Cash: (a) Savings and interest-bearing accounts					
(b) Other					
2 Accounts receivable net					
3 Notes receivable net (attach schedule)					
4 Inventories					
5 Government obligations: (a) U.S. and instrumentalities					
(b) State, subdivisions thereof, etc.					
6 Investments in nongovernmental bonds, etc. (attach schedule)					
7 Investments in corporate stocks (attach schedule)					
8 Loans:					
(a) Mortgage loans (number of loans ► _____)					
(b) Other loans (attach schedule)					
9 Other investments (attach schedule)					
10 Depreciable (depletable) assets (attach schedule):					
(a) Held for investment purposes					
(b) Less accumulated depreciation					
(c) Held for campaign purposes					
(d) Less accumulated depreciation					
11 Land: (a) Held for investment purposes					
(b) Held for campaign purposes					
12 Other assets (attach schedule)					
13 Total assets					
Liabilities					
14 Accounts payable					
15 Contributions, gifts, grants, etc. payable					
16 Mortgages and notes payable (attach schedule)					
17 Other liabilities (attach schedule)					
18 Total liabilities					
Net Worth (Fund Balances)					
19 Principal Fund					
20 Income Fund					
21 Total Net Worth (Fund Balances)					
22 Total Liabilities and Net Worth (line 18 plus line 21)					

Schedule M.—Analysis of Changes in Net Worth

1 Total net worth at beginning of year—from Schedule L, line 21, column (B)	1	
2 Enter amount from line 17, page 1	2	
3 Nontaxable income from contributions	3	
4 Nontaxable income from other sources	4	
5 Other increases not included above (itemize) ►	5	
6 Total (add lines 1 through 5)	6	
7 Campaign expenses	7	
8 Expenses attributable to other nontaxable income	8	
9 Other decreases not included above (itemize) ►	9	
10 Total of lines 7 through 9	10	
11 Total net worth at end of year (subtract line 10 from line 6)—This equals Schedule L, line 21, column (D)	11	

General Instructions

(References are to the Internal Revenue Code.)

Paperwork Reduction Act Notice

The Paperwork Reduction Act of 1980 says we must tell you why we are collecting this information, how we will use it, and whether you have to give it to us. We ask for the information to carry out the Internal Revenue laws of the United States. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax. You are required to give us this information.

Note: Form 1120-POL filers who report sales or exchanges of capital assets must now use Schedule D (Form 1120). This schedule can be obtained from most Internal Revenue offices.

Effective for tax years beginning after 1981, a principal campaign committee, designated only by a candidate for Congress, will be subject to a lower tax rate. See pages 5 and 6 for further information.

A. Who Must File Form 1120-POL.—

1. A political organization, that is, a party, committee, association, fund (including a separate segregated fund (described in section 527(f)(3)) set up by a section 501(c) organization), or other organization, organized and operated primarily for the purpose of accepting contributions or making expenditures, or both, to influence the selection, nomination, election, or appointment of any individual to any public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, must file Form 1120-POL if such organization has any taxable income (defined in C below).

2. A newsletter fund (as described in section 527(g)) must file Form 1120-POL if it has political organization taxable income. Taxable income is the same as described in C below with these modifications:

- the \$100 specific deduction is not allowed and
- the exempt function is only the preparation and circulation of the newsletter.

For further information, see section 527(g) and Regulation section 1.527-7.

3. (a) Under section 527(f), certain organizations described in section 501(c) and exempt from tax under section 501(a), must file Form 1120-POL if they:

- expend any amount during the tax year directly (or through another organization) for an exempt function (defined in E below) and
- have taxable income.

(b) For a section 501(c) organization, taxable income is the lesser of:

- the amount expended during the tax year for an exempt function (defined in E below) or
- the net investment income of the organization for the tax year. Net investment income, for this pur-

pose, means the gross amount of interest, dividends, rents, royalties, plus the excess (if any) of gains from the sale or exchange of assets over the losses from the sale or exchange of assets, over the deductions directly connected with the production of this income.

Both of these amounts are computed with the modifications described in C.2. below.

Section 501(c) organizations exclude those items taken into account for the tax imposed by section 511.

(c) If a section 501(c) organization sets up a separate segregated fund (section 527(f)(3)), the taxable income of the fund is determined as described in instruction C.

For more information, see section 527 (f) and Regulation section 1.527-6.

B. Tax Imposed.—The tax imposed is computed by multiplying the political organization taxable income by 46%.

A fiscal year 1981-82 organization that is a principal campaign committee (section 527(h)) should see pages 5 and 6 of the instructions to compute its tax. Please be certain to check the box on page 1 of Form 1120-POL.

C. Taxable Income.—

Note: Generally, campaign contributions are not includible in income; expenditures for campaign purposes are not deductible. (See instruction D below.)

Taxable income is the excess of:

1. gross income for the tax year (excluding any exempt function income defined below) over

2. the deductions allowed that are directly connected with the production of gross income (excluding exempt function income) computed with the following modifications—

- a specific deduction of \$100 is allowed,
- a net operating loss deduction (section 172) is not allowed, and
- a deduction under part VIII of subchapter B (special deductions for corporations) is not allowed.

See Regulation sections 1.527-4 and 1.527-5.

D. Exempt Function Income.—Exempt function income is any amount received as:

- contributions of money or other property,
- membership dues, fees, or assessments from members of the political organization,
- proceeds from a political fund-raising or entertainment event, or proceeds from the sale of political campaign materials, that are not received in the ordinary course of any trade or business, or
- proceeds from the conducting of any bingo game as defined in section 513(f)(2),

to the extent this amount is segregated for use only for the exempt function of the political organization.

See Regulation section 1.527-3.

Note: Income received in the course of an ordinary trade or business is to be included in line 7, "other income," page 1.

E. Exempt Function.—For purposes of section 527, the term "exempt function" means the function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not the individual or electors are selected, nominated, elected, or appointed.

See Regulation section 1.527-2(c).

F. Where to File.—

If the political organization's main office is located in

Use the following Internal Revenue Service Center address

New Jersey, New York City and counties of Nassau, Rockland, Suffolk, and Westchester	Holtsville, NY	00501
New York (all other counties), Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Andover, MA	05501
Alabama, Florida, Georgia, Mississippi, South Carolina	Atlanta, GA	31101
Michigan, Ohio	Cincinnati, OH	45999
Arkansas, Kansas, Louisiana, New Mexico, Oklahoma, Texas	Austin, TX	73301
Alaska, Arizona, Colorado, Idaho, Minnesota, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Ogden, UT	84201
Illinois, Iowa, Missouri, Wisconsin	Kansas City, MO	64999
California, Hawaii	Fresno, CA	93888
Indiana, Kentucky, North Carolina, Tennessee, Virginia, West Virginia	Memphis, TN	37501
Delaware, District of Columbia, Maryland, Pennsylvania	Philadelphia, PA	19255

G. When to File.—In general, an organization must file Form 1120-POL by the 15th day of the 3d month after the end of the tax year.

File Form 7004 to request an automatic 3-month extension of time to file Form 1120-POL.

File Form 7005 to request an additional extension after obtaining an automatic 3-month extension by filing Form 7004.

H. Period covered.—File the 1981 return for calendar year 1981 and fiscal years that begin in 1981 and end in 1982. For a fiscal year, fill in the tax year space at the top of the form.

I. Depository Method of Tax Payment.—The organization must pay the tax due either 1. in full when the return is filed or 2. in two equal installments. The installments are due by the 15th day of the 3d month and the 15th day of the 6th month after the end of the tax year.

Deposit organization income tax payments with a preinscribed Federal Tax Deposit (FTD) Form 503. Make these tax deposits with either a financial institution qualified as a depository for Federal taxes or the Federal Reserve Bank or Branch (FRB) servicing the geographic area where the organization is located. Records of deposits will be sent to IRS for crediting to the organization's account. See the instructions on the back of Form 503 for more information and exceptions.

You may apply for these FTD Forms 503 from the Internal Revenue Service Center where the organization files its return. If you do not have these forms when a deposit is due, mail your payment to the Internal Revenue Service Center where the organization files its return. When applying for FTD Form 503 (and also when making a deposit without FTD Form 503), include the organization's name, employer identification number, address, and the tax year to which the deposits relate.

Penalty for Overstated Tax Deposits.—If you overstate your deposits, you may be subject to a penalty. See section 6656(b).

J. Change in Accounting Period.—Before you can change an accounting period, you must get the Commissioner's approval (Regulation section 1.442-1) by filing Form 1128, Application for Change in Accounting Period. Also see **Publication 538**, Accounting Periods and Methods.

K. Accounting Methods.—Taxable income must be computed using the method of accounting regularly used in keeping the organization's books and records. In all cases, the method adopted must clearly reflect taxable income. (See section 446.)

Unless the law specifically permits otherwise, the organization may change the method of accounting used to report taxable income in earlier years (for income as a whole or for any material item) only by first getting consent on Form 3115, Application for Change in Accounting Method. Also see **Publication 538**, Accounting Periods and Methods.

L. Rounding Off.—You may show money items as whole-dollar amounts by dropping amounts under 50 cents and increasing amounts from 50 to 99 cents to the next higher dollar.

M. Attachments.—If you need more space on forms or schedules, attach separate sheets to the back of Form 1120-POL. Attach schedules in alphabetical order and forms in numerical order. Be sure to put the taxpayer's name and employer identification number (EIN) on each sheet.

N. Signature.—The return must be signed and dated by the president, vice president, treasurer, assistant treasurer,

chief accounting officer, or any other officer (such as tax officer) authorized to sign. A receiver, trustee, or assignee must sign and date any return required to be filed on behalf of an organization.

If your organization officer filled in Form 1120-POL, the Paid Preparer's space under "Signature of officer" should remain blank. If someone prepares Form 1120-POL and does not charge the organization, that person should not sign the return. Certain others who prepare Form 1120-POL should not sign. For example, a regular, full-time employee of the organization such as clerk, secretary, etc. does not have to sign. (This list is not all inclusive.)

Generally, anyone who is paid to prepare Form 1120-POL must sign the return and fill in the other blanks in the Paid Preparer's Use Only area of the return.

If you have questions about whether a preparer is required to sign Form 1120-POL, please contact an IRS office.

The preparer required to sign the return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)

- Give a copy of Form 1120-POL to the taxpayer in addition to the copy filed with IRS.

Tax return preparers should be familiar with their responsibilities. See **Publication 1045**, Information and Order Blanks for Preparers of Federal Income Tax Returns, for more details.

O. Employer Identification Number.—All political organizations (including separate segregated funds described in section 527(f)(3) and newsletter funds) must use an employer identification number (EIN).

An organization that does not have an EIN should apply for one on Form SS-4, Application for Employer Identification Number. You can get this form at any IRS or Social Security Administration office. Send Form SS-4 to the same Internal Revenue Service Center to which you send Form 1120-POL. If you have not received the EIN by the filing time for Form 1120-POL write "Applied for" in the space for the EIN.

P. Penalties.—

Avoid penalties and interest by correctly filing and paying the tax when due. The organization may have to pay the following penalties unless it can show that failure to file or to pay was due to reasonable cause and not willful neglect. (These penalties are in addition to the interest charge on unpaid tax at a rate under section 6621.)

- A political organization that fails to file its tax return when due (including any

extensions of time for filing) may be subject to a penalty of 5% a month, up to a maximum of 25%, for each month the return is not filed. (The penalty is imposed on the net amount due.)

- A political organization that fails to pay the tax when due may be subject to a penalty of 1/2% a month or fraction of a month, up to a maximum of 25%, for each month the tax is not paid. (The penalty is imposed on the net amount due.)

Q. Possessions Tax Credit.—See Form 5712 for rules on how to elect to claim the possessions tax credit (section 936). Compute the credit on Form 5735, and include the amount of the credit in the total for Form 1120-POL, line 23. Write in the margin, next to the entry on line 23, the amount of the credit and identify it as a section 936 credit.

R. Estimated Tax, Minimum Tax, Investment Credit and Jobs Credit.—These items do not apply to political organizations defined in section 527.

S. Financial Statements.—Section 501 (c) organizations do not have to complete Schedules L and M.

T. Foreign Financial Accounts and Foreign Trusts.—

Question 1: Check the Yes box if either 1 or 2 below applies to you. Otherwise check the No box.

1. At any time during the year you had an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country, AND

- The combined value of the accounts was more than the \$1,000 at any time during the year; AND
- The account was NOT with a U.S. military banking facility operated by a U.S. financial institution.

2. You own more than 50% of the stock in any corporation that owns one or more foreign bank accounts.

Get Form 90-22.1, Report of Foreign Bank and Financial Accounts, to see if you are considered to have an interest in or signature or other authority over a bank account, securities account, or other financial account in a foreign country.

If you checked Yes for Question 1, file Form 90-22.1 by June 30, 1982, with the Department of the Treasury at the address shown on the form. Form 90-22.1 is not a tax return, so do not file it with the IRS.

You can get Form 90-22.1 from many IRS offices.

Question 2: Check the Yes box if you were a grantor of, or a transferor to, a foreign trust that existed during this tax year.

General Instructions only for Fiscal Year 1981-82 Principal Campaign Committees (Section 527(h))

The Economic Recovery Tax Act of 1981 added new section 527(h) which defines a principal campaign committee and provides that this committee will be subject to a lower rate of tax than other political organizations.

A principal campaign committee means the political committee designated only by a candidate for Congress as his or her principal campaign committee for purposes of section 302(e) of the Federal Election Campaign Act of 1971. See section 527(h) of the Code for special rules regarding the term "designation."

Effective for tax years beginning after 1981, the tax rates have been lowered for these principal campaign committees. The tax rates changed from 46% of taxable income; to 16% of the first \$25,000 of taxable income; 19% of the next \$25,000 of taxable income; 30% of the next \$25,000 of taxable income; 40% of the next \$25,000 of taxable income; and 46% of taxable income in excess of \$100,000.

Because of changes in the tax rates, the proration rules of section 21 apply. Fiscal year 1981-82 committees must prorate their tax to reflect these changes. Thus, a fiscal year committee will compute its tax for the year by prorating a tax for the period before 1982 and for the period after 1981, using the tax rates in effect for each period. The accompanying worksheet for fiscal year 1981-82 provides for such computation.

This worksheet, which should not be filed, will be used by fiscal year 1981-82 committees in lieu of line

20 on the 1981 Form 1120-POL and certain lines of the Tax Computation Schedule on the 1981 Schedule D (Form 1120).

Computation of Tax.—In computing the tax, the committee computes a regular tax (Part I) and an alternative tax (Part II) for each period and takes the lower tax for each period. The sum of the prorated tax for each period is the total on line 16, Part III.

Specific Instructions

Part III

Line 13, Portion of Tentative Tax.—Multiply line 12, by:

- (a) $\frac{\text{number of days in tax year before 1/1/82}}{\text{number of days in tax year}}$

OR

- (b) applicable decimal from table below (column (A)).

Taxpayers with a 52-53 week tax year must use (a) above.

Line 15, Portion of Tentative Tax.—Multiply line 14, by:

- (a) $\frac{\text{number of days in tax year after 12/31/81}}{\text{number of days in tax year}}$

OR

- (b) applicable decimal from table below (column (B)).

Taxpayers with a 52-53 week tax year must use (a) above.

Table

Fiscal year	(A) Before 1982 Line 12 × applicable fraction or decimal listed below and enter result on line 13	(B) After 1981 Line 14 × applicable fraction or decimal listed below and enter result on line 15
2/1/81- 1/31/82	334/365 or .915068	31/365 or .084932
3/1/81- 2/28/82	306/365 or .838356	59/365 or .161644
4/1/81- 3/31/82	275/365 or .753425	90/365 or .246575
5/1/81- 4/30/82	245/365 or .671233	120/365 or .328767
6/1/81- 5/31/82	214/365 or .586301	151/365 or .413699
7/1/81- 6/30/82	184/365 or .504110	181/365 or .495890
8/1/81- 7/31/82	153/365 or .419178	212/365 or .580822
9/1/81- 8/31/82	122/365 or .334247	243/365 or .665753
10/1/81- 9/30/82	92/365 or .252055	273/365 or .747945
11/1/81-10/31/82	61/365 or .167123	304/365 or .832877
12/1/81-11/30/82	31/365 or .084932	334/365 or .915068

Worksheet for Fiscal Year 1981-82 Principal Campaign Committees— Tax Computation Schedule (Do Not File—Keep for your Records)

This worksheet is to be used in lieu of line 20 on the 1981 Form 1120-POL and certain lines of the Tax Computation Schedule on the 1981 Schedule D (Form 1120).

Part I Computation of Regular Tax

Computation at Tax Rates Applicable Before 1/1/82

- 1** Enter taxable income from Form 1120-POL, line 19, page 1
- 2** Regular tax—46% of line 1. If applicable, enter here and on line 12, Part III

1	
2	
3	

Computation at Tax Rates Applicable After 12/31/81

3 Regular tax—	If the amount on line 1 is:	Enter on line 3 and, if applicable, on line 14, Part III	
	Over—	But not over—	Of the amount over—
	0	\$25,000	16% 0
	\$25,000	50,000	\$4,000+19% \$25,000
	50,000	75,000	8,750+30% 50,000
	75,000	100,000	16,250+40% 75,000
	100,000	26,250+46% 100,000

Part II Computation of Alternative Tax

Computation at Tax Rates Applicable Before 1/1/82

- 4** Taxable income (line 1, Part I)
- 5** Enter net capital gain from Schedule D (Form 1120), line 10

4	
5	
6	