

## AUTHORS

Ronald M. Jacobs

## RELATED INDUSTRIES

Nonprofit Organizations  
and Associations

## ARCHIVES

2010 2006 2002  
2009 2005 2001  
2008 2004 2000  
2007 2003

## Articles

October 14, 2010

### Foreign Money and Political Activity - 3 Things Associations Must Know

Association TRENDS

Related Topic Area(s): Antitrust and Trade Regulation, Tax and Employee Benefits

***The recent US Chamber experience is a teachable moment for 501(c)6 organizations.***

Since the Supreme Court held earlier this year that the First Amendment allows corporations and associations to play a more direct role in the election process, attacks on such participation are on the rise. Whether an association has foreign members or affiliates has now become another front for those attacks, so associations must be prepared to defend themselves.

For example, the Obama administration and its allies recently have attacked the US Chamber for using “foreign money” in its political activities. The charge appears to be based on the premise that the Chamber raises funds from foreign affiliates. The Chamber has denied these allegations, saying that it has procedures in place to segregate funds from foreign sources and that all of its political activity is funded from domestic sources.

Associations can learn three valuable things from this experience:

- 1. Associations involved in political activity should be aware of the ban on foreign funds** being used to influence federal, state, or local elections. Thus, even though associations may fund messages expressly advocating the election or defeat of candidates using their general funds, they may not raise such funds from foreign entities.
- 2. To be certain that associations are complying with these rules, they should implement accounting procedures** to segregate foreign funds from those funds used for political activities. In addition, employees should be trained on the policies and procedures used to segregate the funds; records should be kept showing such training.
- 3. Even with such procedures in place, political adversaries may try to make an issue** of an association’s foreign sources of revenue (as evidenced by the attacks on the Chamber based solely on the fact that the Chamber accepts foreign funds). Thus, associations should be ready to respond to such attacks and be prepared to defend against a complaint filed with the Federal Election Commission. Although an association’s records showing the segregation of foreign money are not public, they should be kept in an easy to understand format should the FEC launch an investigation.

It is hard to defend against spurious allegations of comingling foreign funds, but proper record-keeping and segregation procedures can blunt the attack and help the association defend a possible FEC investigation.

Ron Jacobs heads Venable’s political law practice. Contact him at [RMJacobs@Venable.com](mailto:RMJacobs@Venable.com) or 202-344-8215.

*This article originally appeared in the October 14, 2010 edition of Association TRENDS.*