

# Dark Money Illuminated

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## Acknowledgments

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## About Issue One

Issue One is a nonpartisan, nonprofit advocacy organization dedicated to political reform and government ethics in order to strengthen democracy and return government to the American people. Learn more at [issueone.org](http://issueone.org).

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# Foreword

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One of the primary campaign finance causes that unites Republicans and Democrats, liberals and conservatives, is ridding elections at the local, state and federal level of the scourge of political “dark money.”

Dark money comes into politics in many forms — from opaque limited liability companies (LLCs) to secretive “social welfare” organizations and trade associations, to name a few. Today, dark money groups work to support and oppose members of both political parties, in primaries and general elections, all with untraceable cash whose donors often only come to light years after the elections are decided, if at all.

Consider these three examples:

Just one month before the 2017 special election to fill the Alabama U.S. Senate seat vacated by incumbent Republican Sen. Jeff Sessions after he became President Donald Trump’s attorney general, a super PAC called [Highway 31 popped up](#) in the state and began spending [more than \\$4 million](#) to boost Democratic Senate candidate Doug Jones. It would [later be determined](#) that Highway 31 was the most active group in the general election between Jones and Republican Roy Moore.

Yet, thanks to a legal loophole, Highway 31 [did not disclose its donors](#) to Alabama voters until a month after Jones won the election, becoming the [first Democrat](#) in the state to win a Senate seat since 1992. It was only after the election that [voters learned](#) that Highway 31 was controlled by national groups aligned with the Democratic Party.

Meanwhile, in New Hampshire in 2014, a fierce contest for one of the state’s U.S. Senate seats was underway between Republican Scott Brown and incumbent Democratic Sen. Jeanne Shaheen. As Election Day grew closer, a limited liability company called the [Council for American Job Growth LLC](#) spent [more than \\$700,000](#) on a television ad campaign boosting Shaheen. All that is known about this LLC is that it is affiliated with a nonprofit called FWD.us that was formed by Facebook CEO Mark Zuckerberg. That is as far as anyone has been able to track the money trail.

And a few years earlier, in the summer of 2011, an innocuously named group called [Freedom Path](#) began airing ads in Utah with a simple strategy: Promote the positive qualities of incumbent Republican Sen. Orrin Hatch while overtly opposing Hatch’s main Republican primary challenger, state Sen. Dan Liljenquist. The public did not know who was behind the ads — and would not learn where the money actually came from for more than a year.

Only in November of 2012 — months after Hatch had defeated his primary challengers and weeks after Hatch was re-elected in the general election to a seventh term in the Senate — did [an obscure public document reveal](#) that a trade association called Pharmaceutical Research and Manufacturers

of America (PhRMA), the nation's pharmaceutical drug lobby, had provided [nearly 90 percent](#) of Freedom Path's initial funding in 2011. It would [later come out](#) that PhRMA — which has [long had](#) a friendly relationship with Hatch and whose [members](#) include major drugmakers such as Amgen Inc., GlaxoSmithKline and Pfizer Inc. — had accounted for \$1 million of the \$1.58 million that Freedom Path raised during its first two years of existence.

But voters in Utah did not know that while they were casting their ballots. This is because Freedom Path was formed as a nonprofit “social welfare” organization under Section 501(c)(4) of the U.S. tax code — allowing its donors to remain hidden. Because of the Supreme Court's [Citizens United v. Federal Election Commission decision](#) in January 2010, dark money groups like Freedom Path have been free to spend corporate treasury funds on advertisements that expressly advocate for the election or defeat of federal candidates.

These are just three examples out of thousands of races since *Citizens United* of how dark money has fundamentally transformed our politics and elections. The Council for American Job Growth LLC, Highway 31 and Freedom Path all demonstrate how opaque organizations — frequently using funds from companies, labor unions and wealthy individuals — are changing elections because of a misguided Supreme Court decision.

Dark money groups are legally prohibited from coordinating their expenditures with the candidates they are trying to boost, although there are a number of ways in which these groups and candidates find to work together without running afoul of the letter of the law, even if they shatter the spirit of it. And while they sometimes air positive messages, more frequently these groups serve as aggressive attack dogs on the campaign trail, maligning candidates from the shadows. This allows candidates to focus on positive messaging and keep their hands clean.

Meanwhile, the transparency for independent spending that was promised in *Citizens United* is nowhere to be found, in part due to Congress and in part due to the feckless, and deadlocked-by-design, FEC. Until Congress fully accepts its mantle of responsibility to create new laws that empower the voices of all Americans — and not simply the donor class, who can, and will, continue to spend millions of dollars to influence elections — the political system will answer to the highest bidder, and the public will remain in the dark about who is calling the shots.

**-Meredith McGehee**  
**Executive Director, Issue One**

# Intro

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Today many — if not all — politicians live in fear that opaque dark money groups will launch 11th-hour smear campaigns against them. If you listen closely, many members of Congress [continuously fundraise precisely](#) to prevent this doomsday scenario, leading some of them to even [leave office](#) rather than try to out-raise the deep-pocketed donors attempting to control their electoral fates.

Dark money groups hold enormous sway over what issues are, and are not, debated in Congress and on the campaign trail. But the donors behind these groups rarely discuss their motivations for bankrolling these efforts, leaving the public in the dark about who funds these increasingly prominent and potent organizations.

Unfortunately, Supreme Court Justice Anthony Kennedy was either ill-advised or misinformed when he — while writing the majority opinion in the Supreme Court’s [Citizens United v. Federal Election Commission case](#) — assumed that any new corporate spending in politics unleashed by the decision would be wholly independent of candidates and promptly disclosed on the internet. In that ruling, Justice Kennedy wrote that “a campaign finance system that pairs corporate independent expenditures with effective disclosure has not existed before today.”

But let’s be clear: It still does not exist today.

Issue One’s new “Dark Money Illuminated” project — a year-long, deep-dive analysis into the forces at play in the post-*Citizens United* political world, which is accompanied

by a [first-of-its-kind database](#) of dark money donors — chronicles just how difficult it remains to effectively ascertain information about the true sources behind the deluge of political dark money that *Citizens United* ushered in, even for campaign finance experts. The project also offers constitutional, bipartisan solutions to bring additional accountability to the political advertisements from dark money groups that are increasingly bombarding citizens across the country.

## AN EXPLOSION OF POLITICAL DARK MONEY

Dark money groups are influential in part because they aim to define candidates and issues before, during and after an election. Thus, even if their preferred candidates lose, the issues that define the election are aligned more closely with the labor unions, corporations, mega-donors and other special interests bankrolling these secretive groups.

According to the Center for Responsive Politics, dark money groups reported spending [more than \\$800 million](#) on campaign-related activities to the FEC between January 2010 and December 2016 (the last full election cycle). What is less known is that this surge of opaque spending has been incredibly concentrated: Issue One’s new analysis shows that the **top 15 dark money groups accounted for three-fourths of this spending** — more than \$600 million.

The **U.S. Chamber of Commerce** — the nation’s largest lobbying organization for businesses — alone has spent approximately

## How did Citizens United lead to an explosion of political dark money?

By a slim 5-4 margin, the Supreme Court held in *Citizens United* that corporations — including limited liability companies and certain nonprofit corporations — could bankroll overt political advertisements that called on people to vote for or against federal candidates.

While charities and foundations organized under Section 501(c)(3) of the U.S. tax code — the types of nonprofits to which you may make tax-deductible contributions — are still prohibited from engaging in electoral politics, the *Citizens United* ruling allowed certain other nonprofits — most notably 501(c)(4) “social welfare” organizations and 501(c)(6) trade associations — to spend heavily in elections.

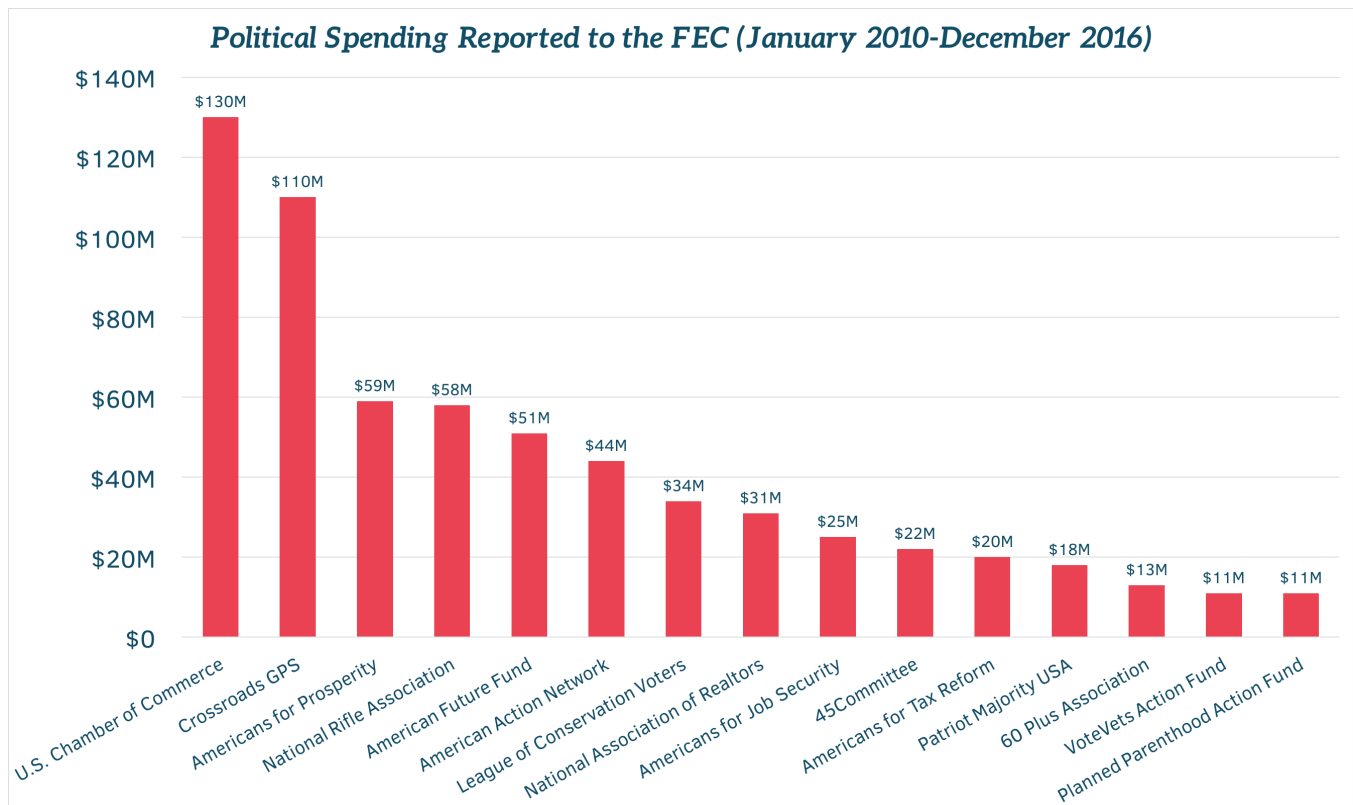
Unlike political candidates, parties or political action committees, these nonprofits are generally not required to disclose their donors, meaning the public is frequently left in the dark about who is funding the ads that are trying to influence their votes.

\$130 million on political advertisements since *Citizens United*. That’s about \$1 of every \$6 spent on political ads by dark money groups between 2010 and 2016.

Other major dark money players in this top 15 list — each of which reported spending at least \$10 million on political activities to the

FEC since January of 2010 and all of which are profiled on [Issue One’s website](#) — include:

- ▶ **Americans for Prosperity**, the flagship politically active nonprofit of the billionaire industrialists Charles and David Koch;



Source: Issue One analysis of data from the Center for Responsive Politics and Federal Election Commission.

- ▶ **Crossroads Grassroots Policy Strategies** (Crossroads GPS), a Republican-aligned group associated with Karl Rove, a former advisor to President George W. Bush;
- ▶ The **League of Conservation Voters**, an advocacy organization that works to elect pro-environment candidates who are typically Democrats;
- ▶ The **National Rifle Association**, the nation's top gun lobby and backer of politicians who champion the Second Amendment;
- ▶ **Patriot Majority USA**, an organization led by political operatives with close ties to Democratic Sens. Harry Reid and Chuck Schumer; and
- ▶ The **Planned Parenthood Action Fund**, an advocacy group working to elect politicians who support reproductive rights and to thwart anti-abortion politicians.

Informing and augmenting the profiles of these 15 major dark money groups is an exclusive, first-of-its-kind [database](#) created by Issue One that features information about the donors identified by obscure public records — and other little-known sources — who are funding these organizations.

In all, this new database contains nearly **1,200 transactions** spanning more than eight years — and identifies approximately **400 unique donors** who have collectively given **more than \$760 million** to these dark money groups in recent years.

Each record also contains a link to the primary source document for each transaction — constructed through painstaking research and fact-checking by the Issue One team, building off of work previously done by the Center for Responsive Politics, Center for Public Integrity, Center for Political Accountability and others.

## DARK MONEY DONORS REVEALED

To paint as comprehensive a picture as possible about what interests have bankrolled the top 15 dark money groups since *Citizens United*, Issue One searched obscure public records for information that has essentially been hiding in plain sight.

To this end, Issue One reviewed FEC filings, tax returns, annual reports submitted by labor unions to the Department of Labor, documents submitted to Congress by registered lobbyists, corporate filings, press releases and other sources. (See Appendix 2: Methodology for a more detailed description.)

These methods frequently led Issue One to be able to identify transactions — and donors — that have never previously been associated with these dark money groups.

Here are some of the highlights of what we learned:

*These methods frequently led Issue One to be able to identify transactions — and donors — that have never previously been associated with these dark money groups.*

Companies and labor unions are among the donors identified by this research.

For instance, while the **U.S. Chamber of Commerce** does not publicly reveal its donors, Issue One found that nearly 100 blue-chip companies have voluntarily disclosed their own dues payments to the trade association. The **Dow Chemical Co.** alone has contributed about \$13.5 million to the U.S. Chamber of Commerce in recent years, while health insurer **Aetna Inc.** has contributed \$5.3 million and oil giant **Chevron Corp.** has contributed \$4.5 million.

Meanwhile, Issue One found that gun manufacturer **Sturm, Ruger & Co., Inc.** has contributed more than \$12 million in recent years to the **National Rifle Association**, while tobacco company **Reynolds American Inc.** has contributed substantial sums to three major dark money groups in recent years: \$275,000 to **Americans for Tax Reform**, \$61,000 to **Americans for Prosperity** and at least \$50,000 to the **U.S. Chamber of Commerce**.

At the same time, Issue One found that labor unions accounted for about \$1 of every \$8 raised between July 2009 and June 2017 by a dark money group known as the **VoteVets Action Fund** — which has touted itself as the “largest progressive organization of veterans in the United States.” In all, the VoteVets Action Fund raised more than **\$5.6 million** during this time from labor unions, with significant union donors including the **American Federation of Government Employees**, the **United Association of Journeymen and Apprentices of the Plumbing and Pipe Fitting Industry** and the **American Federation of State, County and Municipal Employees (AFSCME)**.

Issue One’s analysis additionally revealed that **more than two dozen** of the nation’s largest trade associations have contributed to many of the top dark money groups in recent years. Some have even contributed to three, four or five of the top 15 dark money groups since *Citizens United*.

For instance, the **American Petroleum Institute (API)**, the **Motion Picture Association of America (MPAA)** and **Pharmaceutical Research and Manufacturers of America (PhRMA)** each contributed to **five of the top 15 dark money groups** during the past eight years.

PhRMA alone, in recent years, has contributed **\$12 million** to the **American Action Network** — a dark money group launched in 2010 by former Sen. Norm Coleman (R-MN) and GOP fundraiser Fred Malek.

Another large donor identified on the other side of the ideological spectrum: The **Susan Thompson Buffett Foundation**, a private foundation that is primarily funded by billionaire investor Warren Buffett and that is named for his late wife. The Susan Thompson Buffett Foundation has contributed **\$26 million** to the **Planned Parenthood Action Fund** since 2012, earmarking these funds for “the charitable purpose of reproductive health advocacy.”

| Dark money group name            | Number of unique donors identified by Issue One | Contributions from donors identified by Issue One |
|----------------------------------|---|---|
| Americans for Prosperity         | 29  | \$154,654,879                                     |
| National Rifle Association       | 37  | \$145,422,955                                     |
| American Future Fund             | 27  | \$87,551,309                                      |
| U.S. Chamber of Commerce         | 127   | \$85,647,005                                      |
| Planned Parenthood Action Fund   | 32  | \$62,772,876                                      |
| League of Conservation Voters    | 33  | \$49,951,741                                      |
| 60 Plus Association              | 29  | \$46,786,787                                      |
| Americans for Tax Reform         | 23  | \$38,900,667                                      |
| Americans for Job Security       | 80  | \$37,648,639                                      |
| American Action Network          | 23  | \$22,082,250                                      |
| VoteVets Action Fund             | 42  | \$15,412,320                                      |
| Patriot Majority USA             | 20  | \$9,248,353                                       |
| Crossroads GPS                   | 10  | \$5,810,000                                       |
| 45Committee                      | 3   | \$1,075,000                                       |
| National Association of Realtors | 0   | \$0   |
|                                  |   |   |
| <b>Grand Total</b>               | <b>402</b>                                      | <b>\$762,964,780</b>                              |

Source: Issue One analysis of Federal Election Commission filings, tax returns submitted by nonprofits to the Internal Revenue Service, annual reports submitted by labor unions to the Department of Labor, documents submitted to Congress by registered lobbyists, corporate filings and other sources. See Appendix 2 for more details on the methodology.



## Understanding the tax code: What is a 501(c)(4) vs. a 501(c)(6) vs. an LLC?

The main vehicles through which dark money enters elections are three groups that are often identified by their corporate structure and/or associated section of the U.S. tax code.

First, “social welfare” organizations, which are organized under Section 501(c)(4) of the tax code. By law, these organizations must be “operated exclusively for the promotion of social welfare.”

Second, trade associations, which are organized under Section 501(c)(6) of the tax code. This section encompasses business leagues, chambers of commerce, real estate boards, boards of trade and professional football leagues.

Third, limited liability companies (LLCs) may also be a source of political dark money. In most states, it’s easy to identify the actual human beings who are behind an LLC. But in some states — most notably Delaware and Wyoming — public records need not identify any living, breathing people associated with an LLC, making them tantamount to black boxes.

These three types of organizations may buy political advertisements or donate to other groups, such as super PACs, that may also buy political ads.

A table of the top 67 donors uncovered by Issue One’s research — each of which contributed \$1 million or more to the top dark money groups — can be found in Appendix 1 of this report.

### STILL IN THE DARK

Yet much remains unknown.

Despite all our research, Issue One found that only about **two percent** of the money raised by two dark money giants — the **45Committee** and **Crossroads GPS** — can be tied to specific donors.

And while Issue One identified approximately **\$86 million** in contributions to the **U.S. Chamber of Commerce** and approximately **\$145 million** in contributions to the **National Rifle Association**, these organizations have vast financial resources — and, in each case, the portion of receipts tied to donors amounts to just **seven percent** of these groups’ total revenue between January 2010 and December 2016.

Meanwhile, it may seem promising that **55**

**percent** of the money that **Americans for Job Security** — one of the oldest political dark money groups — raised between November 2009 and October 2014 has been connected to donors.

Yet the bulk of these contributors were revealed not because of information hidden in routinely filed, little-known public records, but rather because of a [poorly redacted donor list](#) that was obtained by, and later released by, the California Fair Political Practices Commission as part of a 2013 investigation into the group.

Thanks to this internal document, [media organizations](#) and [others](#) were [able to identify](#) many of Americans for Job Security’s major funders, including investor Charles Schwab, entrepreneur Eli Broad and several members of the Fisher family, which founded the Gap clothing company.

Similarly, while roughly **60 percent** of the money raised in recent years by two other dark money groups — the **American Future Fund** and **Americans for Tax Reform** — was connected to donors, the largest identifiable

funders of these groups were *other nonprofit organizations*. Thus, even when the curtain was pulled back, all that was revealed was another opaque organization bankrolling the first opaque group.

Our research makes clear that the “effective disclosure” that Justice Kennedy envisioned in *Citizens United* does not exist today. The public ultimately still does not know where the bulk of the money fueling dark money groups originates. The current tools for disclosure are inadequate. And the rules

governing transparency not only need better enforcement but also, and more importantly, desperately need modernizing.

### LAX ENFORCEMENT, PUSHING THE ENVELOPE

Many dark money groups are often criticized for masquerading as 501(c)(4) organizations, whose primary purpose, by law, must be operating “exclusively” for “social welfare” purposes. Such groups, according to the Internal Revenue Service, should be “primarily

## For dark money groups, what counts as political spending?

The Internal Revenue Service and Federal Election Commission have different definitions of what counts as political spending.

The IRS asks nonprofit organizations to detail their spending on “direct or indirect political campaign activities on behalf of or in opposition to candidates for public office.”

Meanwhile, dark money groups are required to submit reports to the FEC if their spending falls into one of three categories: 1) “independent expenditures,” 2) “electioneering communications” or 3) “communication costs.”

Each of these phrases is a legal term of art.

The term “independent expenditures” refers to spending that is not coordinated with a candidate that “expressly advocates the election or defeat of a clearly identified federal candidate.”

The term “electioneering communications” refers to targeted communications that are aired within 30 days of a primary election or 60 days of a general election that refer to a clearly identifiable federal candidate but fall short of explicitly urging voters to support or reject that candidate. By definition, only political advertisements on broadcast, cable or satellite qualify as electioneering communications, although the Honest Ads Act would extend this definition to paid political ads aired online as well.

The term “communication costs” refers to political spending by a corporation or labor union that is specifically targeted to its own stockholders or membership.

Voters may also see ads that look like political ads that might never be reported to the FEC or IRS. For instance: an ad that mentions a candidate that falls short of expressly advocating for that candidate’s election or defeat AND is aired at a point in time during which it does not qualify as an “electioneering communication.”

All the while, many lawyers argue that “electioneering communications” reported to the FEC do not necessarily qualify as “direct or indirect political campaign activities” that need to be reported to the IRS. And mystifyingly, some lawyers have even argued that certain “independent expenditures” that are reported to the FEC may not qualify as “direct or indirect political campaign activities” that need to be reported to the IRS.

## Why is the FEC an ineffective cop on the beat?

On enforcement cases and rulemaking, the FEC is dysfunctional by design and continues to be an ineffective cop on the beat. What was originally envisioned as a watchdog in U.S. elections has become more gridlocked than Congress. It is the only agency of its kind in the federal government that is comprised of an equal number of Democratic and Republican commissioners. These commissioners frequently vote in partisan blocs due to deep ideological differences. Moreover, the six-member commission currently has two vacancies — meaning that if just one more commissioner leaves before new commissioners are confirmed, then the FEC will lose its quorum and ability to undertake enforcement matters altogether. The four sitting commissioners are also all currently serving on expired terms. To date, congressional leadership in both parties has expressed little interest in adding new blood to the FEC.

engaged in promoting in some way the common good and general welfare of the people of the community.”

If a group intends to be primarily engaged in political campaign activities, that is when, by law, it should register and operate as a political committee, not a “social welfare” organization. The letter and the spirit of the law, however, differ.

Even though the word “exclusively” is used in the statute, the IRS, to date, has never issued bright line rules for just how much political campaign activity “social welfare” nonprofits may engage in while still retaining their 501(c)(4) tax-exempt status. This has led some groups to push the envelope of how much direct political campaign intervention they engage in under the guise of “social welfare.”

Since the *Citizens United* decision in 2010, the IRS has rarely cracked down on any politically active “social welfare” organizations. And when it has, the agency’s actions have typically come long after the groups’ election-related spending.

In one of the most high-profile cases, a group known as **Arkansans for Common Sense** [spent \\$1.2 million](#) on radio and television ads during the unsuccessful re-election bid of Sen. Blanche Lincoln (D-AR). For its part, Arkansans for Common Sense, which supported Lincoln, [told the IRS](#) that 49.5 percent of its spending in 2010 amounted to “direct or indirect political campaign

activities,” but the IRS disagreed.

Several years later, in a rare enforcement action, the IRS [determined](#) that approximately 85 percent of the group’s spending came during electioneering timeframes and concluded that Arkansans for Common Sense was too political for “social welfare” status — and denied the group tax-exempt status under Section 501(c)(4) of the tax code.

Few other big-spending politically active nonprofits have suffered the same fate, though regulators may be right to raise questions about several others.

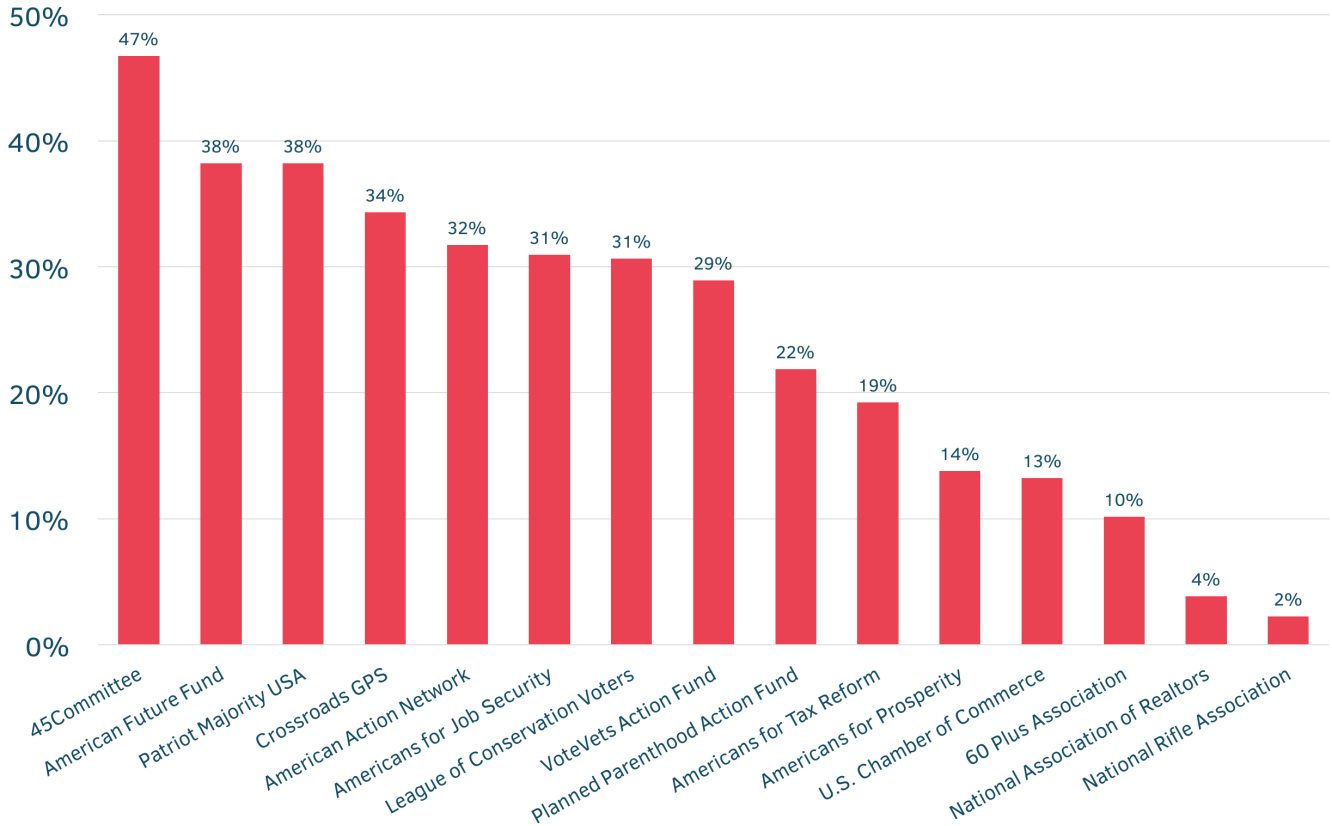
An Issue One review of IRS filings for the largest politically active dark money groups since *Citizens United* shows that many of them engage in significant amounts of “direct and indirect political campaign activities.”

For instance:

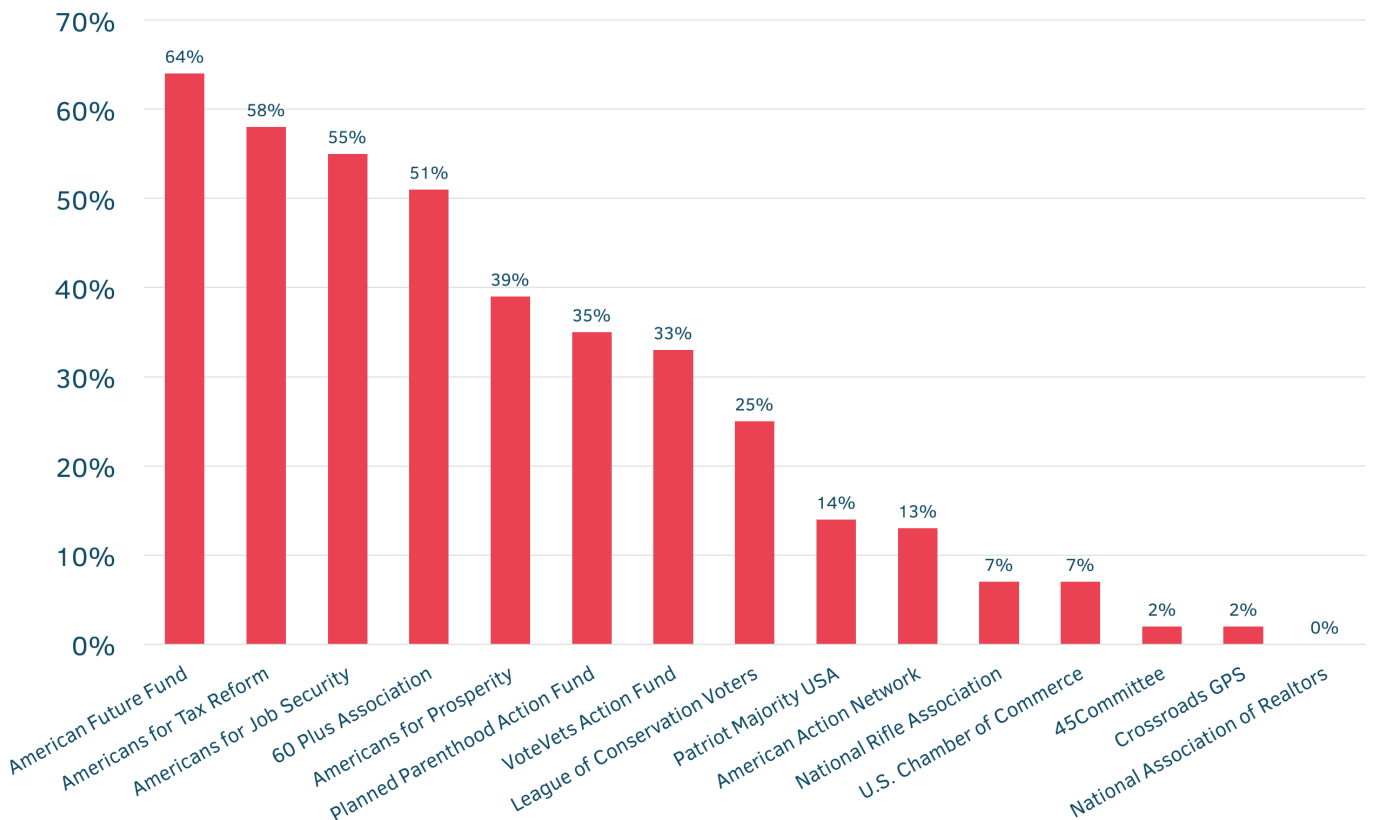
- ▶ **Eight** of these 15 dark money groups self-reported that **at least 25 percent** of their spending during the past eight years was election-focused in nature.
- ▶ Moreover, during certain election years, political spending by some groups **exceeded 40 percent** — and sometimes was even **greater than 50 percent**.

One of these hyper-politically active “social welfare” groups is the **VoteVets Action Fund**, which often spends money to support

## Portion of Total Spending Self-Reported to the IRS as Political Spending



## Portion of Total Receipts Connected to Donors by Issue One



See Appendix 3 for sources and notes.

Democratic candidates. It told the IRS its spending on “direct and indirect political campaign activities” [exceeded 48 percent](#) amid the 2010 election cycle and [exceeded 52 percent](#) amid the 2012 election cycle.

Likewise, on the other side of the aisle, the **45Committee**, a “social welfare” organization that frequently spends money to back Republican candidates, told the IRS that [nearly 48 percent](#) of its spending amid the 2016 election went toward “direct and indirect political campaign activities.”

How so much political spending can be done by organizations designed to be operated “exclusively for the promotion of social welfare” strains credulity.

And those aren’t the only figures that should cause regulators to raise their eyebrows.

Issue One found that **three of the top 15 dark money groups have major discrepancies** between what they reported spending on politics to the IRS versus what they told the FEC they spent on politics. Even though both agencies define political activity differently, the large discrepancies in official filings with each regulator raise questions and concerns.

While multiple types of political spending get reported to the FEC, the most conservative definition includes all spending done to expressly advocate for the election or defeat of a federal candidate.

Meanwhile, the IRS asks nonprofit organizations to detail their spending on “direct or indirect political campaign activities on behalf of or in opposition to candidates for public office.”

Since *Citizens United*, the **60 Plus Association**, **Americans for Tax Reform** and the **National Rifle Association** all filed reports with the FEC detailing expenditures that urged Americans to vote for or against candidates with spending totals that exceeded the amounts listed for “direct and indirect political

campaign activities” on reports filed with the IRS — frequently by millions of dollars.

To wit:

- ▶ The **60 Plus Association** told the FEC it spent at least **\$2.3 million** more expressly advocating for the election or defeat of federal candidates than it told the IRS it spent on “direct or indirect political campaign activities” between July 2009 and June 2017.
- ▶ **Americans for Tax Reform** told the FEC it spent at least **\$8 million** more on expressly advocating for the election or defeat of federal candidates than it told the IRS it spent on “direct or indirect political campaign activities” during the 2010 and 2012 election cycles.
- ▶ And in 2012 alone, the **National Rifle Association** told the FEC it spent more than **\$7 million** expressly advocating for the election or defeat of federal candidates while it told the IRS it spent **no money** on “direct or indirect political campaign activities on behalf of or in opposition to candidates.”

Any reasonable observer would have a difficult time understanding how money spent advocating for the election or defeat of candidates does not qualify as “political campaign activities on behalf of or in opposition to candidates.”

All the while, **four other of these 15 dark money groups** have seen complaints filed against them with the FEC urging the commission to investigate whether they should have registered as a political committee, which would have required the groups to disclose their donors. In each case, **the FEC has deadlocked**, failing to earn the four votes necessary for the six-member commission to take action.

This dysfunction has turned the FEC into an ineffective cop on the beat. As a result, more than eight years after *Citizens United* fundamentally transformed elections, we still know surprisingly little about the donors

***The IRS, to date, has never issued bright line rules for just how much political campaign activity “social welfare” nonprofits may engage in while still retaining their 501(c)(4) tax-exempt status.***

behind the largest dark money groups that have taken advantage of this Supreme Court ruling. But the system is not meant to stay this way.

## WHY IS TRANSPARENCY IMPORTANT?

For decades, the Federal Communications Commission (FCC) has [embraced](#) the principle that listeners and viewers have a right to know by whom they are being persuaded. In 1975, the FCC further [clarified](#) its disclosure requirements to specify that broadcasters should “fully and fairly disclose the true identity” of those paying for political advertisements on TV and radio.

In the 1970s, Congress also passed new rules calling for more transparency about the money being raised and spent in elections. Following the Watergate scandal, the Supreme Court upheld the constitutionality of these disclosure requirements in a landmark 1976 case known as [Buckley v. Valeo](#).

The Transparency Policy Project at the Ash Center for Democratic Governance and Innovation at Harvard’s John F. Kennedy School of Government summarized the Supreme Court’s decision in [Buckley](#) [like this](#):

“In [Buckley v. Valeo](#), the 1976 Supreme Court decision that upheld the constitutionality of federal disclosure requirements, the Court concluded that disclosure reduced corruption in three ways.

“First, it provided the electorate with information about where money came from and how it was spent, in order to aid voters in evaluating those running for office, including alerting voters ‘to the interests to which a candidate is most likely to be responsive.’

“Second, disclosure helped to ‘deter actual corruption and avoid the appearance of corruption by exposing large contributions and expenditures to the light of publicity.’ Such exposure ‘may discourage those who would use money for improper purposes either before or after the election,’ because ‘a public armed with information about a candidate’s most generous supporters is better able to detect any post-election special favors that may be given in return.’

“Third, the Court said, reporting was ‘an essential means of gathering data to detect violations of contribution limits.’ Disclosure worked in tandem with a rule-based regulatory system that limited amounts and sources of contributions.”

In the decades since, the Supreme Court has upheld the constitutionality of disclosure requirements and praised the virtues of transparency in our campaign finance system in one case after another.

For instance:

- ▶ In 1978, a majority of Supreme Court justices in [First National Bank of Boston v. Bellotti](#) stressed how disclosure helps citizens evaluate the credibility of different speakers: “People in our democracy are entrusted with the responsibility for judging and evaluating the relative merits of conflicting arguments. They may consider, in making their judgment, the source and credibility of the advocate.”
- ▶ In 2003, in [McConnell v. FEC](#), a majority of Supreme Court justices [again praised](#) disclosure for serving the “First Amendment interests of individual citizens seeking to make informed choices in the political marketplace.”
- ▶ And in 2010, by a wide 8-1 margin in [Citizens United](#), the Supreme Court [extolled](#) the merits of disclosure, saying that transparency in political spending “permits citizens and shareholders to react to the speech of corporate entities in a proper way” and “enables the electorate to make informed decisions and give proper weight to different speakers and messages.”

Even Supreme Court Justice Antonin Scalia, who was often critical of campaign finance regulations, adamantly supported political transparency. He [argued](#) that not only was disclosure constitutional, but that it “fosters civic courage, without which democracy is doomed.” Anonymous speech, Scalia [once wrote](#), “facilitates wrong by eliminating accountability,” while disclosing the identity of political speakers helps “promot[e] a civil and

dignified level of campaign debate.”

## STATE LAWMAKERS SPEAK OUT AGAINST DARK MONEY

Politicians from across the ideological spectrum have recognized the merits of disclosure in our campaign finance system over the years — including calling for more transparency of the dark money flowing into our politics since *Citizens United*.

There have been outspoken voices at both the state and federal level.

For instance, earlier this year, Republican Christina Hagan, a state representative in Ohio, [said](#) that donors behind dark money groups shouldn’t “be able to hide,” adding that “people have the right to know who is putting mail in their mailbox and who is putting ads on their TVs.”

Those sentiments have been echoed by other lawmakers, including Republican Jim Peterson, who, while serving as a state senator in Montana, [once lamented](#) that “dark money has brought great divisiveness to the election process.”

Peterson [introduced](#) bipartisan reform legislation in 2013 to combat dark money’s influence in the Treasure State because, as he put it, “locals have no idea who is influencing their politicians.”

One of Peterson’s Republican Senate colleagues, Llew Jones, put it [even more succinctly](#): “[There] will never be truth in politics until voters can follow the money.”

Montana’s Democratic Gov. Steve Bullock, who [signed](#) a bipartisan reform bill similar to Peterson’s into law in 2015, [has said](#) this legislation was necessary because “dark money does corrupt our elections.”

Likewise, Democrat Andy Billig, a state senator in Washington who [successfully shepherded](#) new transparency legislation in that state earlier this year, [said](#) that shining a light on dark money “creates better informed voters,

increases accountability and reduces the opportunity for corruption, all of which results in a stronger democracy.”

Meanwhile, Daryl Metcalfe, a Republican state legislator in Pennsylvania, [once praised](#) disclosure laws as a way to “ensure that the citizens of Pennsylvania have good information to work with when they are going and choosing who their leaders are going to be.”

And Rob Schaaf, a Republican state senator in Missouri, [predicted earlier this year](#) that residents of the Show-Me State “will demand that dark money will be outlawed.”

Schaaf’s comments came after Republican Gov. Eric Greitens [resigned](#) in the wake of a judge [ordering](#) a dark money group associated with Greitens to turn over internal documents to state legislators who were investigating the group for potentially illegally coordinating with Greitens’ campaign.

Schaaf [went on to say](#): “It looks like Eric Greitens came to power protecting his secret donors and now he’s leaving power protecting his secret donors ... I think it

will go down in Missouri history that this governorship was all about dark money.”

## OPPORTUNITIES FOR FEDERAL LAWMAKERS

In recent years, much of the federal legislation aimed at dark money has stalled at the federal level.

The last major reform was the [Bipartisan Campaign Reform Act of 2002](#) (BCRA) — which banned political parties from raising unlimited amounts of “soft money” and required more disclosure of so-called “issue ads” that mention candidates ahead of an election.

BCRA was signed into law by Republican President George W. Bush. It was [sponsored](#) in the Senate by Republican Sen. John McCain (R-AZ) and Democratic Sen. Russ Feingold (D-WI). Ten other Senate Republicans joined

**“Neither Republicans nor Democrats should feel like they need to embrace dark money to win.”**  
- Zach Wamp (R-TN),  
ReFormers Caucus Co-chair

McCain in [voting for](#) the bill.

According to Sen. Robert Bennett (R-UT), Sen. Mitch McConnell (R-KY) [was](#) the public face of opposition to BCRA and “wore it as a badge of honor.” McConnell also went on to [lose](#) a Supreme Court case bearing his name that sought to overturn portions of the law. And he continues to oppose increased transparency of dark money.

But today there is again a growing bipartisan embrace of the merits of transparency for political spending and the need to overhaul a political system that has turned lawmakers into glorified telemarketers while allowing anonymous donors to hide behind secretive dark money organizations.

“Whether you’re a conservative Republican or a progressive Democrat, policy ideas and candidates’ positions should be promoted by organizations who are proud to be engaged in our public arena, not secretive front groups designed to deceive voters, hide donors and deploy deceptive tactics,” said former Ambassador and Democratic Rep. Tim Roemer of Indiana, one of the co-chairs of [Issue One’s ReFormers Caucus](#), the 200-plus strong coalition of former members of Congress and governors assembled to advocate for solutions to strengthen our democracy.

Added former Republican Rep. Zach Wamp of Tennessee, another co-chair of Issue One’s ReFormers Caucus: “Elections shouldn’t be waged in the shadows. Neither Republicans nor Democrats should feel like they need to embrace dark money to win. Voters want to know you are listening to them, not secretive special interest groups.”

Even McCain, the co-author of the Bipartisan Campaign Reform Act, before he passed away earlier this year, [endorsed the idea](#) of requiring politically active 501(c)(4) “social welfare” nonprofits to disclose their donors and [urged citizens](#) to “demand a less secretive and corrupting campaign finance system.”

## What can be done?

There are [tens of thousands](#) of “social welfare” organizations formed under Section 501(c)(4) of the tax code, as well as [tens of thousands](#) of trade associations and business leagues formed under Section 501(c)(6). Most of them are not spending significant amounts of money in politics, but a few are.

Any new rules for politically active nonprofits should be carefully crafted to ensure compliance with applicable laws and regulations while not stifling the activities of the overwhelming majority of the organizations that are following the rules.

Additional guidance about what constitutes disclosable political activity and how much political activity nonprofits may engage in should be issued. This can be done by either Congress, in the form of new legislation, or the IRS, in the form of new regulations. Until this is done, it is likely that some groups will

continue to push the boundaries of how much opaque political activity they can engage in under the guise of “social welfare.”

The main tool that the IRS uses today to

determine whether an organization is engaged in too much political campaign activity is known as the [“facts and circumstances” test](#). This multifactor test [has been criticized as too vague](#) by [liberals](#) and [conservatives](#) alike. And enforcement actions, like the one that [denied Arkansans for Common Sense](#) tax-exempt status as a “social welfare” organization, are rare. Clear-cut definitions and bright-line rules about political activity would bring some much-needed clarity into this arena for all nonprofits, large and small.

Additionally, because transparency and disclosure are the building blocks necessary to empower citizens with information to fully and accurately assess the source and credibility of the groups trying to influence their votes, there are several disclosure-focused proposals that Congress could, and should, consider.

***“Policy ideas and candidates’ positions should be promoted by organizations who are proud to be engaged in our public arena, not secretive front groups.”***

***- Tim Roemer (D-IN),  
ReFormers Caucus Co-chair***



## INCREASE DONOR DISCLOSURE

When dark money groups sponsor TV, radio, print or digital ads during an election, those advertisements should not only include the name of the organization sponsoring them but also the names of the top donors behind them. This would help ensure that people are aware of the true sources funding these election-related ads.

## PASS THE HONEST ADS ACT

By passing the [Honest Ads Act](#), Congress could implement a new disclosure system for paid, online political advertising that details spending by dark money groups on the internet and apps like Facebook and Twitter. A new digital advertising disclosure system modeled on longstanding Federal Communications Commission rules for paid political advertising on TV and radio would ensure that everyone can see the ads sponsored by dark money groups online — not just the people being targeted. It would also ensure that the sponsors of these communications are clearly identified.

***“People have the right to know who is putting mail in their mailbox and who is putting ads on their TVs.”***

***- Christina Hagan, Republican state representative from Ohio***

## NEW REPORTING RULES

Congress could require new rules for donors who transfer funds to other entities to sponsor political ads. New reporting rules would help the public track money in politics regardless of how many transfers take place between groups before the money is ultimately spent on political ads. For instance, Congress could require any group — including “social welfare” nonprofits and trade associations — that acts as a conduit of large contributions — say, \$10,000 or more — to keep track of these large donations and disclose how this money is spent. Once the funds are spent on political ads, the groups involved in this daisy chain of giving would be illuminated by the public disclosure of the newly required transfer records maintained by each of the groups in the chain. New disclosure rules of this nature would help ensure that people are not allowed to conceal their identities when buying election-related advertising. They would also help ensure that

the publicly identified donors to groups are not simply conduit organizations for donors who have taken elaborate steps to stay out of the limelight.

## CREATE SPECIAL FUNDS

At the same time, independent groups that plan to be active in elections could be encouraged to create new segregated funds to exclusively fund their political expenses. If these new segregated accounts were used, donors to these independent groups’ general funds, whose contributions were not used for campaign activity, could remain anonymous, while donors to these new segregated funds would be disclosed.

## STRENGTHEN THE FEC

To ensure there is an effective cop on the beat to stop groups from breaking the rules that already exist, the FEC [should be restructured](#)

[and strengthened](#) to

empower commissioners who are dedicated to enforcing the law. If a dark money group appears to be masquerading as a nonprofit to avoid disclosing its donors,

the FEC is well within its purview to raise questions about such an organization regardless of where it falls on the political spectrum.

Disclosure helps the public, the media and law enforcement agencies detect irregular behavior and deter illegal activities. Furthermore, as the Supreme Court [has said](#), disclosure “enables the electorate to make informed decisions and give proper weight to different speakers and messages.” The American people are right to demand more information about the major dark money groups attempting to influence their elections. Democrats, Republicans and independents alike know that stronger disclosure laws will help promote greater accountability and understanding. No one, regardless of party, wants to be misled by secretive groups before casting their ballot. •

**APPENDIX 1  
THE TOP 67 DARK MONEY DONORS  
IDENTIFIED BY ISSUE ONE**

| Donor Name   | Donor Type                            | Total Contributions | Number of Beneficiaries | Beneficiaries  |
|--|---------------------------------------|---------------------|-------------------------|--|
| Freedom Partners Chamber of Commerce   | 501(c)(6) trade association           | \$181,345,000       | 6                       | 60 Plus Association; American Future Fund; Americans for Prosperity; Americans for Tax Reform; National Rifle Association; U.S. Chamber of Commerce                            |
| NRA Foundation   | 501(c)(3) public charity              | \$106,449,003       | 1                       | National Rifle Association   |
| American Encore (formerly Center to Protect Patient Rights)                  | 501(c)(4) social welfare organization | \$104,841,211       | 6                       | 60 Plus Association; American Future Fund; Americans for Job Security; Americans for Prosperity; Americans for Tax Reform; National Rifle Association                          |
| Crossroads Grassroots Policy Strategies (Crossroads GPS)                     | 501(c)(4) social welfare organization | \$40,925,000        | 7                       | 60 Plus Association; American Action Network; American Future Fund; Americans for Job Security; Americans for Tax Reform; National Rifle Association; U.S. Chamber of Commerce |
| Planned Parenthood Federation of America                                     | 501(c)(3) public charity              | \$28,767,629        | 1                       | Planned Parenthood Action Fund   |
| Susan Thompson Buffett Foundation  | 501(c)(3) private foundation          | \$25,917,000        | 1                       | Planned Parenthood Action Fund   |
| Dow Chemical Co.   | Company                               | \$13,738,375        | 2                       | American Action Network; U.S. Chamber of Commerce  |
| Pharmaceutical Research and Manufacturers of America (PhRMA)                 | 501(c)(6) trade association           | \$13,329,825        | 5                       | American Action Network; American Future Fund; Americans for Prosperity; Americans for Tax Reform; U.S. Chamber of Commerce  |
| Sturm, Ruger & Co., Inc.   | Company                               | \$12,053,700        | 1                       | National Rifle Association   |
| League of Conservation Voters Education Fund                                 | 501(c)(3) public charity              | \$9,475,000         | 1                       | League of Conservation Voters  |
| The Advocacy Fund  | 501(c)(4) social welfare organization | \$9,093,710         | 3                       | League of Conservation Voters; Planned Parenthood Action Fund; VoteVets Action Fund  |
| Aetna Inc.   | Company                               | \$8,617,925         | 2                       | American Action Network; U.S. Chamber of Commerce  |
| Green Tech Action Fund   | 501(c)(4) social welfare organization | \$8,427,800         | 1                       | League of Conservation Voters  |
| Republican Jewish Coalition  | 501(c)(4) social welfare organization | \$8,040,000         | 3                       | American Action Network; Crossroads GPS; U.S. Chamber of Commerce  |
| American Future Fund   | 501(c)(4) social welfare organization | \$7,550,000         | 2                       | 60 Plus Association; National Rifle Association  |
| Charles Schwab   | Individual                            | \$6,650,000         | 1                       | Americans for Job Security   |
| NEO Philanthropy Action Fund (formerly Public Interest Projects Action Fund) | 501(c)(4) social welfare organization | \$6,190,000         | 3                       | League of Conservation Voters; Patriot Majority USA; Planned Parenthood Action Fund  |
| Sixteen Thirty Fund  | 501(c)(4) social welfare organization | \$6,185,000         | 2                       | League of Conservation Voters; Patriot Majority USA  |

|   |                                       |             |   |   |
|---|---------------------------------------|-------------|---|---|
| TC4 Trust   | 501(c)(4) social welfare organization | \$5,452,800 | 2 | 60 Plus Association; Americans for Prosperity   |
| John Fisher   | Individual                            | \$5,000,000 | 1 | Americans for Job Security  |
| Chevron Corp.   | Company                               | \$4,500,000 | 1 | U.S. Chamber of Commerce  |
| Merck & Co., Inc.   | Company                               | \$4,446,250 | 1 | U.S. Chamber of Commerce  |
| Partnership Project Action Fund                                       | 501(c)(4) social welfare organization | \$3,951,421 | 2 | League of Conservation Voters; VoteVets Action Fund   |
| Wellspring Committee  | 501(c)(4) social welfare organization | \$3,526,598 | 4 | 45Committee; American Action Network; American Future Fund; Americans for Job Security                    |
| Judicial Crisis Network   | 501(c)(4) social welfare organization | \$3,350,000 | 3 | 45Committee; American Future Fund; National Rifle Association   |
| Priorities USA  | 501(c)(4) social welfare organization | \$2,950,000 | 2 | League of Conservation Voters; Planned Parenthood Action Fund   |
| American Federation of State, County and Municipal Employees (AFSCME) | Labor union                           | \$2,895,100 | 4 | League of Conservation Voters; Patriot Majority USA; Planned Parenthood Action Fund; VoteVets Action Fund |
| Microsoft Corp.   | Company                               | \$2,848,250 | 1 | U.S. Chamber of Commerce  |
| Environmental Defense Action Fund (EDF Action)                        | 501(c)(4) social welfare organization | \$2,842,500 | 1 | League of Conservation Voters   |
| American Action Network   | 501(c)(4) social welfare organization | \$2,675,000 | 1 | National Rifle Association  |
| Qualcomm Inc.   | Company                               | \$2,654,000 | 1 | U.S. Chamber of Commerce  |
| Alliance for Climate Protection                                       | 501(c)(3) public charity              | \$2,605,800 | 1 | VoteVets Action Fund  |
| American Justice Partnership  | 501(c)(4) social welfare organization | \$2,491,000 | 1 | American Future Fund  |
| Prudential Financial, Inc.  | Company                               | \$2,277,300 | 1 | U.S. Chamber of Commerce  |
| Association of American Railroads                                     | 501(c)(6) trade association           | \$2,265,000 | 3 | American Action Network; Americans for Tax Reform; U.S. Chamber of Commerce                               |
| Alliance for Quality Nursing Home Care                                | 501(c)(6) trade association           | \$2,150,000 | 4 | American Action Network; Americans for Job Security; Crossroads GPS; Patriot Majority USA                 |
| MidwayUSA and its owners Larry and Brenda Potterfield                 | Company and its owners                | \$2,100,000 | 1 | National Rifle Association  |
| Partnership Project   | 501(c)(3) public charity              | \$2,085,290 | 2 | League of Conservation Voters; VoteVets Action Fund   |
| American Electric Power Company, Inc.                                 | Company                               | \$2,050,000 | 1 | U.S. Chamber of Commerce  |
| America Votes   | 501(c)(4) social welfare organization | \$2,046,000 | 4 | League of Conservation Voters; Patriot Majority USA; Planned Parenthood Action Fund; VoteVets Action Fund |
| National Education Association (NEA)                                  | Labor union                           | \$2,025,000 | 2 | Patriot Majority USA; VoteVets Action Fund  |
| Anthem, Inc. (formerly Wellpoint, Inc.)                               | Company                               | \$2,000,000 | 1 | U.S. Chamber of Commerce  |
| Doris Fisher  | Individual                            | \$2,000,000 | 1 | Americans for Job Security  |
| William Fisher  | Individual                            | \$2,000,000 | 1 | Americans for Job Security  |
| Southern Company  | Company                               | \$1,997,500 | 1 | U.S. Chamber of Commerce  |

|  |                                       |             |   |  |
|--|---------------------------------------|-------------|---|--|
| Consumer Information Council                       | 501(c)(4) social welfare organization | \$1,910,000 | 1 | 60 Plus Association  |
| Free Enterprise America                            | 501(c)(4) social welfare organization | \$1,653,000 | 2 | 60 Plus Association; Americans for Tax Reform  |
| Smith & Wesson Corp.                               | Company                               | \$1,600,000 | 1 | National Rifle Association   |
| Retail Industry Leaders Association                | 501(c)(6) trade association           | \$1,569,398 | 3 | 60 Plus Association; Americans for Job Security; U.S. Chamber of Commerce  |
| 3M Co.   | Company                               | \$1,557,000 | 1 | U.S. Chamber of Commerce   |
| Intel Corp.  | Company                               | \$1,530,000 | 1 | U.S. Chamber of Commerce   |
| Majority Forward                                   | 501(c)(4) social welfare organization | \$1,515,200 | 2 | League of Conservation Voters; VoteVets Action Fund  |
| Open Society Policy Center                         | 501(c)(4) social welfare organization | \$1,500,000 | 1 | Planned Parenthood Action Fund   |
| Fuels America                                      | 501(c)(4) social welfare organization | \$1,443,840 | 1 | VoteVets Action Fund   |
| Involve America                                    | 501(c)(4) social welfare organization | \$1,400,000 | 1 | Americans for Job Security   |
| Kentucky Opportunity Coalition                     | 501(c)(4) social welfare organization | \$1,350,000 | 2 | Crossroads GPS; U.S. Chamber of Commerce   |
| Motion Picture Association of America (MPAA)       | 501(c)(6) trade association           | \$1,271,667 | 5 | 60 Plus Association; American Action Network; Americans for Prosperity; Americans for Tax Reform; U.S. Chamber of Commerce |
| MetLife, Inc.                                      | Company                               | \$1,267,000 | 1 | U.S. Chamber of Commerce   |
| Exelon Corp.                                       | Company                               | \$1,250,000 | 1 | U.S. Chamber of Commerce   |
| PepsiCo, Inc.                                      | Company                               | \$1,250,000 | 1 | U.S. Chamber of Commerce   |
| American Federation of Government Employees (AFGE) | Labor union                           | \$1,210,000 | 1 | VoteVets Action Fund   |
| Union Pacific Corp.                                | Company                               | \$1,195,000 | 1 | U.S. Chamber of Commerce   |
| Vote Alabama                                       | 501(c)(4) social welfare organization | \$1,037,300 | 1 | 60 Plus Association  |
| Conservative Solutions Project                     | 501(c)(4) social welfare organization | \$1,000,000 | 1 | American Future Fund   |
| Eli Broad  | Individual                            | \$1,000,000 | 1 | Americans for Job Security   |
| Pierce Bullet Seal Target Systems                  | Company                               | \$1,000,000 | 1 | National Rifle Association   |
| Robert Fisher                                      | Individual                            | \$1,000,000 | 1 | Americans for Job Security   |

Source: Issue One analysis of Federal Election Commission filings, tax returns submitted by nonprofits to the Internal Revenue Service, annual reports submitted by labor unions to the Department of Labor, documents submitted to Congress by registered lobbyists, corporate filings and other sources. See Appendix 2 for more details about the methodology.

## APPENDIX 2 METHODOLOGY: HOW ISSUE ONE IDENTIFIED DONORS TO DARK MONEY GROUPS

Unlike candidates, political parties, political action committees or super PACs, dark money groups are generally not required to publicly disclose their funders. To some donors, this is part of the appeal of giving to a dark money group. The Federal Election Commission (FEC) has said that dark money groups must only reveal the identities of donors who give for the specific purpose of “furthering” a specific communication — something that, often by design, rarely happens.

Nevertheless, there are a number of other “backdoor” avenues that can be used to identify certain donors to these groups. Such methods typically don’t uncover information about who is funding a group in real time, but short of someone leaking donor lists, these techniques are the best ways to uncover, from obscure public records, information about who is bankrolling dark money groups.

Here are the main data sources and steps that the Issue One research team used to search for donors to the top 15 dark money groups, which frequently led Issue One to be able to identify donors — and transactions — that have never previously been associated with these dark money groups:

1. **FEC filings from the dark money group itself.** While filings with the FEC from dark money groups typically only detail the amount of their expenditures, by law, these groups must tell the FEC if they receive any funds for the purpose of “furthering” that expenditure. The Issue One research team searched the filings associated with each of the 15 top dark money groups and then assessed the results, taking steps to avoid double-counting any transactions that had also been reported on any of the other filings we searched.
2. **FEC expenditure data.** This method is useful for uncovering dark money donations from political committees, from candidates to leadership PACs to super PACs to traditional political
3. **Congressional LD-203 filings.** These forms — filed with both the U.S. Senate and U.S. House of Representatives — detail political contributions from registered lobbyists. Occasionally, lobbyists include contributions to dark money groups on these filings, in addition to their contributions to candidates, parties, presidential inaugural committees and the like. The Issue One research team searched for the full names of each of the 15 top dark money groups — as well as partial names and common abbreviations — and then assessed the results, removing any false positives and taking steps to avoid double-counting any transactions that had also been reported on any of the other filings we searched.
4. **Department of Labor LM-2 Filings.** Labor unions must file extensive reports with the Department of Labor that detail their financial activities, including the expenditures they make. If a labor union contributes money to a dark money group, that transaction will show up in a search of the labor union’s LM-2 filings’ expenditure data. The Issue One research team searched for the full names of each of the 15 top dark money groups — as well as partial names and common abbreviations — and then assessed the results, removing any false positives and taking steps to avoid double-counting any transactions that had also been reported on any of the other filings we searched.

5. **IRS Form 990s.** Nonprofit organizations — including 501(c)(4) “social welfare” organizations, 501(c)(5) labor unions and 501(c)(6) trade associations — must submit annual tax returns to the IRS known as Form 990s. These forms detail any grants they make to other nonprofits. A number of resources exist for searching for information found within IRS Form 990s, including, most notably, CitizenAudit.org.

CitizenAudit.org makes it possible to search for a word or phrase across multiple IRS Form 990s, across multiple years, by using optical character recognition (OCR) technology and digital information released by the IRS. The Issue One research team performed extensive searches on CitizenAudit.org using the following search terms: 1) each organization’s full EIN number, with the dash; 2) each organization’s full EIN number, without the dash; 3) a partial EIN number of each organization, using only the numbers after the dash; 4) the full name of each organization; and 5) partial names and common abbreviations of each organization. The Issue One research team subsequently assessed the results, removing any false positives and taking steps to avoid double-counting any transactions that had also been reported on any of the other filings we searched.

Issue One is not the first organization to realize that IRS Form 990s contain valuable information about contributions to political dark money groups. In 2012, the Center for Responsive Politics began profiling dark money groups and identifying the funds these organizations had received from other nonprofits. Details about these donors appear on two separate sections of the Center for Responsive Politics’ website. Likewise, in 2016, the Center for Public Integrity unveiled a tool for searching IRS Form 990s on its website called “Search the Nonprofit Network.” These three resources — which all link to primary source documents — were cross-referenced against the

other information gathered by the Issue One research team to ensure no contributions were missed.

Similarly, the Media Matters Action Network launched a website in 2009 called ConservativeTransparency.org with profiles of many conservative dark money groups. This resource, now operated by the American Bridge 21st Century Foundation, was also cross-referenced by the Issue One research team. Any information found on ConservativeTransparency.org was then verified with a primary source document, or omitted if it could not be independently verified.

Moreover, if a nonprofit was identified as giving to any of the 15 top dark money groups any time between 2010 and 2016, the Issue One research team then manually reviewed all years’ worth of IRS Form 990s for that group — from the most recent going back to 2010, or the fiscal year that covered January of 2010 (when the *Citizens United* ruling was issued by the Supreme Court). Copies of those IRS Form 990s could typically be found online by searching CitizenAudit.org, GuideStar.org, the Foundation Center’s website and ProPublica’s Nonprofit Explorer. For the most recent IRS Form 990s, Issue One frequently requested copies of those documents directly from the groups themselves.

6. **Corporate filings with the SEC.** If a publicly traded company discloses making any contributions to a dark money group, certain SEC filings would show the details of these corporate contributions. The Issue One research team performed Google “x-ray” searches — i.e., searched for the names of these dark money groups on sec.gov — and then assessed the results, removing any false positives.
7. **Voluntary corporate filings.** For a number of years, scores of blue-chip companies in the United States have voluntarily disclosed information about their dues payments to trade

associations and contributions to other politically active nonprofits. These disclosures are neither uniform nor standardized. For instance, sometimes this information is released annually; while other times it is released twice a year. Moreover, sometimes these voluntary filings detail only information related to trade association payments; while other times, these filings also detail information related to contributions to politically active “social welfare” nonprofits organized under Section 501(c)(4) of the tax code. Additionally, sometimes these voluntary filings provide the exact dollar amount a company has contributed to a nonprofit. Yet other times, only a broad range — or a minimum amount — is disclosed. Still other times, only the portion of the contribution that was used for non-deductible political/lobbying expenses is disclosed.

The Issue One research team identified which corporate filings it would review by cross-referencing information previously published by the Center for Public Integrity (which published a project in 2014 based primarily off filings that detailed corporate contributions to politically active nonprofits in 2012) and the Center for Political Accountability (which maintains an online database at TrackYourCompany.org that primarily contains information regarding corporate contributions in 2015 and 2016).

Each of the top 15 dark money groups was searched for in both the Center for Public Integrity and Center for Political Accountability’s databases. Most searches didn’t result in any hits, but approximately 100 companies were found to have disclosed information about their contributions over the years to the U.S. Chamber of Commerce.

To create a master list of donors to the U.S. Chamber of Commerce, the Issue One research team merged the list of known Chamber donors from 2012 published by the Center for

Public Integrity and the list of known Chamber donors from 2015 and 2016 published by the Center for Political Accountability. Then, the Issue One research team took steps to obtain the corresponding primary source documents for these contributions — as well as any other primary source documents available for any of the years since *Citizens United*. In cases where this information wasn’t readily available on companies’ websites, the Issue One research team contacted corporate spokespeople to obtain these filings. While searching for these primary source materials, documents from a few other companies not on either the Center for Public Integrity list or the Center for Political Accountability list were discovered; these filings were reviewed and included if they contained any relevant information.

8. **Additional data sources.** If additional sources of useful information were discovered, those, too, were searched and assessed. For instance, news articles were searched for relevant information about donors to the top 15 dark money groups. In one case, a health insurance company once disclosed a contribution to a dark money group to an insurance regulator. In another case, the elections regulator in California released a poorly redacted donor list that it obtained as part of a 2013 investigation into the group, which led media organizations and others to identify many of the dark money group’s major donors. And one dark money group — the National Rifle Association — was discovered to have previously published information in an official newsmagazine about some of its donors; some corporate press releases detailing contributions to the NRA were also discovered. All told, some of the 15 top dark money groups have been the subjects of detailed reports over the years, while others have seen little ink.

In some circumstances, additional steps were also undertaken to ascertain whether certain contributions truly went to the politically active dark money group — or simply a

related group with a similar name.

For instance, some of the top 15 dark money groups are associated with similarly named charities that operate under Section 501(c)(3) of the tax code. And some are associated with similarly named political action committees or super PACs that operate under Section 527 of the tax code and report their financial activities to either the IRS or the FEC. Contributions that turned out to be false positives — such as those that actually went to the 501(c)(3) “foundation” arm of a dark money group or to the dark money group’s related PAC/super PAC/527 committee — were omitted. (Because PACs and super PACs report their donors to the FEC and 527 committees report their donors to the IRS, these reports could be cross-referenced to ascertain if certain transactions were false positives that should be omitted.) Occasionally, the Issue One research team contacted officials at the donor organizations with fact-checking questions to clarify certain unclear transactions.

Lastly, as a general rule, in-kind contributions, payments for services, reimbursements for shared staff and similar expenditures found in any of these data sources were omitted from Issue One’s lists of identified donors.

### **HOW ISSUE ONE IDENTIFIED THE TOP 15 DARK MONEY GROUPS**

Dark money groups that report political expenditures to the Federal Election Commission are tracked by the Center for Responsive Politics. (For instance, find the 2010 election cycle spending by dark money groups [here](#); the 2012 election cycle spending by dark money groups [here](#); the 2014 election cycle spending by dark money groups [here](#); and the 2016 election cycle spending by dark money groups [here](#).) These figures were analyzed by Issue One and were cross-referenced against primary source documents on the website of the Federal Election Commission to determine the aggregate political spending totals for each of the top 15 dark money groups between January 2010 and December 2016.

## **APPENDIX 3 CHART SOURCES AND NOTES**

### **Chart: Portion of Total Spending Self-Reported to the IRS as Political Spending**

Source: Issue One analysis of IRS filings

Note: The Internal Revenue Service asks nonprofit organizations to detail their spending on “direct or indirect political campaign activities on behalf of or in opposition to candidates for public office.” Voters may also see ads that look like political ads that might never be reported as political spending to the IRS — for instance, ads aired several months before Election Day that directly praise or criticize candidates but fall short of overtly urging viewers to vote for or against them. Moreover, if a group intends to be primarily engaged in political campaign activities, that is when, by law, it should register and operate as a political committee, not a “social welfare” organization or trade association. Political committees, by law, must publicly disclose their donors, while “social welfare” organizations and trade associations are not required to do so.

### **Chart: Portion of Total Receipts Connected to Donors by Issue One**

Source: Issue One analysis of Federal Election Commission filings, tax returns submitted by nonprofits to the Internal Revenue Service, annual reports submitted by labor unions to the Department of Labor, documents submitted to Congress by registered lobbyists, corporate filings and other sources. See Appendix 2 for more details about the methodology.

Note: According to its filings with the IRS, the National Association of Realtors has not received any contributions or grants since January 2010. The bulk of its receipts came from membership dues, program services and investments.