

What Midterms? With Convention Planning Underway, Prospective Donors Should Know Who's Already Asking for Their Money in 2024

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Although the 2022 midterm elections are still months away, planning and fundraising for the major parties' 2024 conventions are already underway as cities compete to host the festivities. Last week, the Republican National Committee (RNC) selected Milwaukee as the site for its 2024 convention, and is reportedly already considering potential hosts for 2028. According to recent media reports, the Democratic National Committee (DNC) has narrowed its choices to New York, Chicago, Atlanta and Houston.

As planning for the national conventions ramps up, political donors should consider the limits and implications of convention financing before considering a request for a contribution.

Starting with Congress' termination of public financing of nominating conventions after the 2012 elections, these events have been privately funded through two primary vehicles: national party committee convention accounts ("convention accounts") and host committees. Convention accounts are separate accounts of the national party committees that are solely used to defray the expenses for planning and conducting the nomination of the party's presidential and vice presidential candidates. Convention accounts are subject to the same source prohibitions as federal political committees—corporations, labor unions and foreign nationals are prohibited from contributing. In 2022, an individual contributor can give up to \$109,500 per year to a convention account of the RNC or DNC (three times the contribution limit applicable to the national party committee itself). As with contributions to candidate committees and political action committees (PACs), contributors to convention accounts are regularly disclosed in Federal Election Commission (FEC) reports.

Donors are also able to contribute to host committees in connection with the conventions. Host committees are nonprofit organizations created to promote the image of, and encourage commerce in, the convention city. Although the host committee of a city that wins its bid to host a nominating convention must eventually register with the FEC, these committees are not subject to the source prohibitions and contribution limits applicable to convention accounts. This means host committees can

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accept unlimited donations of funds or resources from corporations and unions as well as individuals so long as they defray costs that would otherwise be incurred in connection with a convention. Examples of permissible uses include donations to defray the costs of:

- Promoting the city as a suitable convention site.
- Welcome activities for attendees (i.e., tours, receptions and information booths).
- Promoting local commerce with shopping and entertainment guides, sample products and promotional materials.
- Administrative expenses incurred by the host committee (i.e., salaries, rent, travel and liability insurance).
- Local transportation.
- Hotel rooms (either at no charge or a reduced rate).

Businesses, unions and others may also, via the host committee, provide use of auditorium or convention center space and other convention related services (lighting, sound systems, offices and office supplies) to a national committee without making prohibited in-kind contributions.

Historically, most host committees have sought and received status as 501(c)(3) charitable organizations from the Internal Revenue Service (IRS) so that donors can obtain tax deductions for their contributions. Recently, however, this has not always been the case. The host committees for the two most recent Democratic National Conventions in Milwaukee and Philadelphia were organized as 501(c)(6) organizations, which are typically trade associations or business leagues. Donations to these entities are not tax deductible as charitable contributions (though in limited circumstances they may be deductible as trade or business expenses).

A prospective donor should always obtain verification of a host committee's tax status before donating any funds or resources. To obtain a tax deduction, a host committee must have 501(c)(3) status. Prospective donors should also be aware that host committees for cities with successful convention bids are required to publicly disclose their donors to the FEC within 60 days after the convention concludes.

Donors to either the party committees or host committees should make sure that they are aware of the rules and potential tax and other compliance implications of contributions before proceeding. The Akin Gump political law team will continue to monitor developments to keep clients informed on this and other key issues. We are available to conduct due diligence and assist with any questions.

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