



FEDERAL ELECTION COMMISSION
Washington, DC 20463

June 3, 1977

AON 1977-19

Ellen Egan O'Connell
Texaco Employees Political Involvement Committee
135 East 42nd Street
New York, New York 10017

Dear Ms. O'Connell:

This Advisory Opinion concerning application of the Federal Election Campaign Act of 1971, as amended ("the Act"), is in response to your letter of March 21, 1977.

You state that the Texaco Employees Political Involvement Committee ("TEPIC") was established as the separate segregated fund of Texaco Inc. in January of 1976. During 1976 contributions to TEPIC earned an interest income upon which tax must be paid. Your question is whether the tax may be paid out of Texaco's treasury funds as an "administrative expense" of TEPIC, or whether it should come from TEPIC's earned interest income.

As you are aware, 2 U.S.C. 441b prohibits a corporation from making a "contribution or expenditure" in connection with Federal elections, but further provides that "contribution or expenditure" does not include "the establishment, administration, and solicitation of contributions to a separate segregated fund to be utilized for political purposes by a corporation." 441b(b)(2)(C). In 114.1(b) of the Commission's regulations "establishment, administration, and solicitation costs" are defined as:

the cost of office space, phones, salaries, utilities, supplies,
legal and accounting fees, fundraising and other expenses incurred in
setting up and running a separate segregated fund established by a
corporation.

The Commission concludes that taxes incurred by TEPIC on its earned interest income are not "administration" expenses within the meaning of 2 U.S.C. 441b(b)(2)(C) and 114.1(b). A tax obligation on income generated by the depositing in an interest-bearing account of unused contributions to a separate segregated fund is not incurred in the pursuit of voluntary contributions, the maintenance of those contributions, or the utilization of those contributions for "political purposes." Rather, the tax is incurred as a result of the production of income to TEPIC; these costs are clearly distinguishable from costs incurred in "setting up and running" TEPIC as a

separate segregated fund. Accordingly, TEPIC's tax liability may not be paid with treasury funds of Texaco.

This response constitutes an advisory opinion concerning the application of a general rule of law stated in the Act, or prescribed as a Commission regulation, to the specific factual situation set forth in your request. See 2 U.S.C. 437f.

Sincerely yours,

(signed)
Thomas E. Harris
Chairman for the
Federal Election Commission