



FEDERAL ELECTION COMMISSION  
Washington, DC 20463

September 24, 1999

CERTIFIED MAIL  
RETURN RECEIPT REQUESTED

ADVISORY OPINION 1999-22

J. Blair Richardson, Jr.  
1725 Larkmeade Drive  
Vienna, VA 22182

Dear Mr. Richardson:

This refers to your letters dated August 16 and August 9, 1999, which request an advisory opinion on behalf of Aristotle Publishing, Inc. ("Aristotle" or "the company") concerning the application of the Federal Election Campaign Act of 1971, as amended ("the Act"), the Presidential Primary Matching Payment Account Act ("the Matching Act"), 26 U.S.C. §§9031-9042, and Commission regulations to its proposed methods to assist various political committee and candidate clients in fundraising through the Internet.

## **FACTUAL BACKGROUND**

Aristotle publishes software and offers related services allowing Federal candidates to receive contributions by credit card through the Internet. You state that an increasing number of campaign clients (presidential and non-presidential) utilize such software and services. The company has been providing political products and services to thousands of candidates nationwide since 1983. In addition, you state that the company's FEC reporting software has been tested and approved by the FEC for electronic filing by Federal campaigns. You affirm that Aristotle currently has Internet contribution clients who will be seeking matching funds under the Matching Act. Your request describes the procedures its clients would use.

### *Screening contributions*

A candidate utilizing Aristotle's Internet contributions service will download the software from Aristotle's web site and install it at his or her own campaign web site, all at the candidate's own expense. Internet contributions are then screened for impermissible or nonmatchable contributions through a series of sequential measures.

First, through the candidate's web site, contributors view the contribution solicitation form. The form may contain a customized introductory message from the candidate. You state that the form would contain attestation language, derived from the Commission's guidance in Advisory Opinion 1995-9, informing prospective donors of the Act's contribution limits and source restrictions. The candidate has the option of including an attestation concerning contributions from minors, which language also is derived from Advisory Opinion 1995-9. If the candidate does not wish to accept contributions from minors, the form will note this and will include an appropriate attestation that the contributor is at least 18 years old.

Second, a prospective donor, will be required to provide detailed information, including at least the same information identified as "required" in Advisory Opinion 1999-9:

- The contributor's name
- The contributor's name as it appears on the card
- The billing address on record with the issuer of the card
- The card number
- The expiration date
- The contributor's mailing address; and
- The amount of the contribution

Third, you affirm that consistent with the Commission's guidance in Advisory Opinion 1999-9, if a prospective donor fails to provide any of the required information or fails to check any of the attestation boxes, the contribution will be rejected. The contributor will be prompted either to correct any omission or inaccurate information, or cancel the transaction.

Fourth, any contribution to a candidate in excess of \$1,000 will be rejected at the web site.

Fifth, all contributor names are matched against a nationwide file of public voter registration records.<sup>1</sup>

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<sup>1</sup> You explain that, by Aristotle's analysis, almost 9 out of 10 online contributors are registered voters (and thus necessarily, U.S. citizens). This match provides an additional basis to verify identity, to screen for contributions by minors and for potentially prohibited contributions by non-citizens, and assist the campaigns in meeting their "best efforts" reporting obligations. You explain that a contribution is not declined if the contributor does not appear in the voter file match. Instead that fact is forwarded to the client committee in order to assist the campaign. The result of the match is also retained for the benefit of the Commission for use in any audit of contributions.

### *Processing contributions*

When the online form has been successfully completed, the donor transmits it for “real time” processing. The credit card data is sent directly to the credit processing company, which will cross check the submitted information with the processing company’s own records on the contributor’s name, billing address, account number and card expiration date.

If the processing company rejects the contribution, the contributor will be informed of this fact. All approved contributions are deposited into a bank account established by Aristotle exclusively for political committee proceeds. This account is not only separate from Aristotle’s other corporate accounts, but is also maintained at an entirely different financial institution.<sup>2</sup>

You explain that Aristotle will inform the committees of the identity of the depository bank so that each committee may disclose the depository on an amended statement of organization, in accordance with the Commission’s guidance in Advisory Opinion 1995-34.<sup>3</sup> Further, to facilitate any audit process and to avoid commingling of committee proceeds and Aristotle’s corporate funds, Aristotle also will maintain separate book accounts for each political customer. All Internet contributions, you state, are forwarded to the campaigns (less any agreed processing fee) in accordance with the time requirements of 2 U.S.C. §432(b)(1) and (2), and 11 CFR 102.8.

You assert that the information provided to a committee treasurer is sufficient for the treasurer to fulfill all record-keeping duties under 11 CFR 102.9 and other provisions of the Act and the regulations. The information provided by Aristotle to the committee includes, at a minimum

- The committee’s account number
- The contributor’s name and address
- The contributor’s employer and occupation
- Date and total amount of contribution
- Unique contribution confirmation number
- Address verification used (billing address and zip code; also voter record matches if applicable.)

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<sup>2</sup> This separate account for political committee contributions is established at the Wachovia Bank, an FDIC-insured depository institution.

<sup>3</sup> The Commission’s guidance was based upon both 2 U.S.C. §432(h)(1) and 11 CFR 103.3(a) which requires that all receipts of a political committee be deposited in a qualified bank or credit union depository.

Aristotle will retain all contributor-supplied information, all records of each deposit into each political committee account, and all records of transfers to each political committee. Aristotle affirms that it will make such records available at the Commission's request or as otherwise required by law.<sup>4</sup>

#### *Use of Aristotle's merchant ID number*

An important part of the described transactions is that Aristotle will use its own "merchant ID number" for clients for whom it is collecting and forwarding the credit card contributions. Aristotle currently offers a candidate the immediate ability to take contributions through American Express, Visa, MasterCard, and shortly, Discover. Each of these credit card companies has its own application forms, rules, time frames, and credit worthiness requirements that a campaign would have to meet individually to have the same access. Each contributor is notified in the "real time" confirmation of the contribution that the credit card bill will reflect a contribution processed through "campaigncontribution.com" not the name of the committee. You explain that Aristotle does not offer a service to assist campaigns with the process of obtaining their own merchant ID's for each credit card they will be using.<sup>5</sup>

#### *Cost of service*

The company will receive, as its fee, a negotiated percentage of the contributions. Depending on the terms of the contract, the company or the campaign will pay the credit card processing fee. The company will pay other transaction-based fees associated with collecting and forwarding the funds. The amount of such fees will necessarily be directly related to the volume of contributions received by a campaign.

Such costs along with costs associated with account servicing, record-keeping, accounting, billing review, and legal review, would normally be accounted for in overhead, you explain, and are intended and projected to be covered by the fees deducted by Aristotle from actual contributions received. The pricing for each committee will include allowance for an adequate profit. You ask whether the above procedures are permissible under the Act and Commission regulations.

### **ACT AND COMMISSION REGULATIONS**

The Act prohibits contributions and expenditures by a corporation in connection with a Federal election. 2 U.S.C. §441b(a); 11 CFR 114.2(b). The term "contribution" is

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<sup>4</sup> For security reasons, you explain that the contributor's credit card number and expiration date are not forwarded to the political customer, so that such information is not included in the committee's database. The Commission notes, however, that further directions will be provided to Presidential campaigns seeking matching funds which will specify the required credit card information.

<sup>5</sup> You explain that it is Aristotle's business decision that the process of assisting each campaign in obtaining its own merchant ID for each credit card will be too expensive, too labor intensive, too inefficient and would only add layers of complication to the process.

defined to include "any direct or indirect payment, distribution, loan, advance, deposit, or gift of money, or any services, or anything of value ... to any candidate, campaign committee, or political party or organization," in connection with any Federal election. 2 U.S.C. §441b(b)(2); 11 CFR 114.1(a)(1). See 2 U.S.C. §431(8)(A)(i) and 11 CFR 100.7(a)(1). The phrase "anything of value" includes goods or services provided without charge, or at less than the usual and normal charge. 11 CFR 100.7(a) (1)(iii)(A) and 100.8(a)(1)(iv)(A).

For purposes of entitlement to Federal matching payments, the term contribution "means a gift of money made by a written instrument which identifies the person making the contribution by full name and mailing address, but does not include a subscription, loan, advance, or deposit of money, or anything of value or anything described in subparagraph (B), (C), or (D) of section 9032(4)." 26 U.S.C. §9034(a); see also 11 CFR 9034.2.

With regards to a contribution made by credit card or debit card, the Commission regulations define "written instrument" to mean either a transaction slip or other writing signed by the cardholder, or in the case of such a contribution made over the Internet, an electronic record of the transaction created and transmitted by the cardholder, and including the name of the cardholder and the card number, which can be maintained electronically and reproduced in a written form by the recipient candidate or candidate's committee. 11 CFR 9034.2(b).<sup>6</sup>

The written instrument shall be: Payable on demand; and to the order of, or specifically endorsed without qualification to, the Presidential candidate, or his or her authorized committee. The written instrument shall contain: The full name and signature of the contributor(s); the amount and date of the contribution; and the mailing address of the contributor(s). For purposes of this section, the term signature means, in the case of a contribution by a credit card or debit card, either an actual signature by the cardholder who is the donor on a transaction slip or other writing, or in the case of such a contribution made over the Internet, the full name and card number of the cardholder who is the donor, entered and transmitted by the cardholder. 11 CFR 9034.2(b) and (c).

Contributions by credit or debit card are matchable contributions provided that evidence is submitted by the committee that the contributor has affirmed that the contribution is from personal funds and not from funds otherwise prohibited by law. 11 CFR 9034.2(c)(8)(ii).<sup>7</sup>

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<sup>6</sup> The Commission, as your request notes, has recently revised its regulations at 11 CFR 9034.2 to permit contributions through the Internet made by credit card. See *64 Fed.Reg.* 32394 (June 17, 1999). The new regulations will be promulgated in the next 10 to 15 days and will apply retroactively to contributions made on or after January 1, 1999. The Commission has also revised the regulations at 11 CFR 9036.1(b)(7) and 9036.2(b)(1)(vii) to give guidance as to the further documentation requirements for matchable contributions made by credit card (or debit card) through the Internet. See *64 Fed.Reg.* 42584 (August 5, 1999). The official promulgation date for these regulations will be published in a notice in the Federal Register.

<sup>7</sup> There are other requirements for matching contributions by credit or debit card, including that they meet the conditions found at section 9034.2(b) and (c) concerning a written instrument and signature. Further,

## APPLICATION TO COMMITTEE PROPOSAL

### *Screening and processing of contributions*

The Commission notes that the screening procedures in your proposal for credit card contributions raised over the Internet are well within the “safe harbor” discussed in Advisory Opinion 1999-9 for matching contributions. See Advisory Opinion 1999-9 and the Explanation and Justification for the Commission’s revised regulations permitting credit card contributions at 64 *Fed. Reg.* 32394 (June 17, 1999). They would permit the committee, relying on Aristotle’s services, to submit evidence that “the contributor has affirmed that the contribution is from personal funds and not from funds otherwise prohibited by law.” 11 CFR 9034.2(c)(8)(ii).<sup>8</sup>

The general contractual arrangements Aristotle proposes for its political committee and candidate clients also meet the requirements of sections 100.7(a)(1)(iii)(A) and 100.8(a)(1)(iv)(A). Aristotle’s proposal would provide for adequate compensation and its procedures would seem to be in the normal course of business for a vendor within its industry dealing with a similarly situated non-political client. These arrangements avoid creating a situation where the vendor provides services to a political committee either without charge, or at less than the usual and normal charge, and thereby makes a corporate contribution prohibited by 2 U.S.C. §441b(b)(2).<sup>9</sup>

### *Use of Aristotle’s merchant ID number*

Your inquiry regarding the use of Aristotle own merchant ID number, however, requires poses a more complex issue that must be examined from the perspective of the Act and the Matching Act.

With regard to contributions that are not submitted for Federal matching payments under the Matching Act, the Commission notes that the manner in which a

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contributions by credit card or debit card are not matchable where the cardholder’s name and card number are given to the recipient candidate or candidate’s committee only orally. 11 CFR 9034.2(c)(8)(i).

<sup>8</sup> The Commission stated in its Explanation and Justification that:

A committee should take steps to insure that controls and procedures are in place to minimize the possibility of contributions by foreign nationals, by Federal Government contractors, and by labor organizations, or by an individual using corporate or other business entity credit accounts. Such controls and procedures should also help the recipient committee identify contributions made by the same individual using different or multiple credit card accounts; and contributions by two or more individuals who are each authorized to use the same account, but where the legal obligation to pay the account only extends to one (or more) of the card holders, and not to all of them. 64 *Fed. Reg.* 32396.

<sup>9</sup> The Commission agrees with your observation that the procedures Aristotle proposes are consistent with the financial vendor arrangements approved in prior opinions cited in your request. See Advisory Opinions 1991-20 and 1991-26 (900-number calls), Advisory Opinions 1994-33 (pre-paid calling cards) and 1995-34 (credit card contributions through 900-number).

credit card bill or invoice records the transaction is less important than the treatment of the contributions raised through fundraising with vendor participation. The greater concern arises where the funds are deposited prior to their transmittal to the committee. The Commission concludes that placing such funds in the same corporate account where it places its other funds would lead to a commingling of corporate funds and campaign funds prohibited by section 441b. See Advisory Opinions 1990-1 and 1991-20.<sup>10</sup>

Your proposal to place these funds in a separate banking account and to maintain separate book accounts for each political customer addresses concerns raised by the Commission in these previous opinions. The Commission also notes Aristotle's intention to use FDIC insured depository institutions for these accounts and to provide the treasurers of its political committee clients with the identity of the depository bank who, in turn, would disclose the required bank information to the Commission. See 2 U.S.C. §432(h)(1) and 11 CFR 102.3. In light of these precautions, the Commission concludes that for contributions that are not submitted under the Matching Act, the use of Aristotle's own merchant ID to collect contributions for multiple clients would be permissible under the Act; that is, 2 U.S.C. §431 *et seq.*

However, even with the above precautions, the Commission concludes that Aristotle may not use a single merchant account number for contributions to Presidential campaigns that are to be submitted for Federal matching payments. The Commission notes that the regulations for matchable contributions place much value on the identification of the committee receiving the contribution. The regulations implementing the Matching Act require that the instrument conveying the contribution be "payable on demand; and to the order of, or specifically endorsed without qualification to the Presidential candidate, or his or her authorized committee." 11 CFR 9034.2(b). The Commission also notes that when Aristotle uses its own merchant ID, the name of the committee receiving the contribution will not be itemized on the monthly credit card bill received by the contributor. While Aristotle may be able to produce other records to indicate the campaign purpose and nature of the contribution, the requirement that the contribution be made payable to or endorsed to the Presidential campaign is only satisfied if the committee's name appears on the contributor's credit card bill. This requirement is necessary as a means of assuring not only that the contributor intended to make a campaign contribution, but also that the contributor intended his or her money to

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<sup>10</sup> These prior advisory opinions concerning vendors who provided 900 line telephone services to campaigns are relevant to your situation. The Commission concluded that permitting a corporate vendor to place the funds raised through these services in its regular corporate account before transmitting them to its campaign clients would lead to a commingling of corporate and campaign funds prohibited by section 441b. The Commission determined that separate accounts were needed for a vendor's political committee clients. The Commission noted in Advisory Opinion 1991-20 that, in certain circumstances, a vendor may establish one separate account to process all funds raised for political committees. In Advisory Opinion 1991-20, the Commission noted that the requester providing 900 line services had "potentially large numbers of political customers" and that it maintained separate book accounts for each political committee customer. The proceeds passing through the one account for political committee customers was forwarded to each political committee within ten days or thirty days of its receipt by the 900 line provider, depending upon the type of committee. See U.S.C. §432(b)(1) and (2); 11 CFR 102.8(a) and (b).

go to the specific candidate named on the credit card bill, as opposed to a different candidate who may also be doing business with the same vendor.<sup>11</sup> Such a disclosure on the bill also enables the contributor to review his or her contribution to verify the amount, date and other information regarding the use of a particular card (or its use by an authorized account owner) to make the contribution.

This response constitutes an advisory opinion concerning the application of the Act, or regulations prescribed by the Commission, to the specific transaction or activity set forth in your request. See 2 U.S.C. §437f.

Sincerely,

(signed)

Scott E. Thomas  
Chairman

Enclosures (AOs 1999-9, 1996-2, 1995-34, 1994-33, 1991-26, 1991-20,  
and 1990-1)

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<sup>11</sup> In its Explanation and Justification for revisions to the regulations providing the documentation requirements for credit card contributions made through the Internet, the Commission noted it “has always held contributions submitted for matching to a higher documentation standard because the matching fund program involves the disbursement of millions of dollars in taxpayer funds.” See 64 *Fed. Reg.* 42584.