

# FEDERAL ELECTION COMMISSION

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FEC RULES ON  
CAMPAIGN DEBTS TO CORPORATIONS

WASHINGTON - DECEMBER 4 - The Federal Election Commission today established guidelines for the settlement of debts owed by candidates and committees to corporations.

In issuing Advisory Opinion (AO) 1975-50, requested by the Jeff Lacaze Committee, Baton Rouge, Louisiana, the Commission stated, "In general, a corporation may not forgive prior debts or settle these debts for less than the amount owed by the candidate or committee because settlement or forgiveness of a corporate debt is a (corporate) contribution under (the law). However, in certain extenuating circumstances (which shall be subject to Commission scrutiny on a case by case basis), settlement or forgiveness of such a corporate debt may not be considered a contribution if a showing is made to the Commission that the corporate creditor has treated the outstanding debt....in a commercially reasonable manner."

Such a showing must include the following:

- 1). That the initial extension of credit was made "in a manner and on terms similar to extensions of credit to a non-political debtor".
- 2). "That the candidate or political committee has undertaken an 'exhaustive effort' to satisfy the outstanding debt"; and
- 3) The "the corporate creditor has pursued its remedies in a manner similar in intensity to that employed in pursuit of a non-political debtor".

The Commission noted that the question of whether an uncollected debt owed by a candidate or committee to a corporation may be written off by the corporation as a bad debt for income tax purposes does not involve issues falling within its statutory authority.

In a separate question raised in AO #50, the Commission ruled on debts and contributions and expenditures relating to a special election resulting from a disputed 1974 contest and held January 7, 1975, six days after the contribution and expenditure limitations went into effect. Noting the candidate's "apparently unique, individual situation", the Commission stated that contributions to and expenditures from Mr. Lacaze's campaign made January 1-7, 1975 would not be subject to the new limitations.