

# The \$3 Tax Checkoff

Federal Election Commission

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On April 3, 2014, President Obama signed legislation that will end public funding of national nominating conventions. This brochure should be read in tandem with the new law. (Public Law No: 113-94)

## Do you want \$3 of your federal tax to go to the Presidential Election Campaign Fund?

Yes

No

As a U.S. taxpayer, you are asked to make this choice when you fill out your 1040 federal income tax return. Before you exercise that choice, you may have some questions:

What is the checkoff for?

Who receives the money?

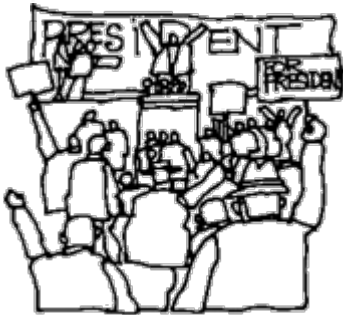
How is the money spent?

Does the checkoff increase my tax?

This brochure provides some answers.

## What Happens to My Three Dollars?

When you check "yes," three of your tax dollars are placed in the Presidential Election Campaign Fund.<sup>1</sup> During each of the last five years, approximately 33 million taxpayers have checked the "yes" box. Every four years, the federal government distributes dollars from the Fund (sometimes called public funds or federal funds) to qualified Presidential candidates and national party committees for use in the Presidential elections. Whatever money is left over at the end of the Presidential election remains in the fund and is used in the next election, four years later.



## Who Receives the Checkoff Dollars?

**Presidential Nominees in the General Election.** The Republican and Democratic nominees in the general election receive a fixed amount of checkoff dollars. Nominees from other political parties may qualify for a smaller, proportionate amount of checkoff funds if they receive over five percent of the vote.

**Presidential Primary Candidates.** Candidates in the Presidential primaries may receive checkoff dollars, in the form of matching funds. Contributions of up to \$250 from individuals are matched dollar for dollar. PAC and party contributions are not matchable.

**Party Nominating Conventions.** The national parties receive checkoff funds to cover the costs of their national conventions held every four years to select their Presidential nominees.

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<sup>1</sup> The Fund is not a separate account but is actually part of the U.S. Treasury.

## **Why Did Congress Adopt the Public Funding Law?**

Congress set up the checkoff in the early 1970's as an alternative way of funding Presidential elections. Candidates that choose to accept public funds can reduce their dependence on large contributions from individuals and groups. In the general election, the public funding system places the two major-party nominees on an equal financial footing in the campaign.

## **May Any Candidate Receive the Public Funds?**

No. The Federal Election Commission (FEC) certifies the eligibility only of those candidates who meet the strict qualifications established by Congress.

Checkoff dollars are given only to Presidential candidates who demonstrate broad national support.<sup>2</sup>

General election nominees must agree not to accept any private contributions (from individuals or PACs, for example).

Candidates must promise not to spend more than \$50,000 of their own money on their campaign.

Recipients of public funds must adhere to a limit on total spending.

## **Must Candidates Accept Public Funds?**

No. A candidate may choose not to participate in the public funding program. In that case, the candidate is not bound by the expenditure limits.

## **In the General Election, Do Candidates Benefit from Any Other Financial Resources, Besides the Public Funds?**

Yes. Individuals and political committees may spend money to publicly express their support for or against candidates, provided there is no coordination with the candidate's campaign. Additionally, the law allows party committees to spend a limited amount on behalf of their Presidential nominees.



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<sup>2</sup> In order to qualify for matching funds, a candidate in the primary elections must first raise over \$5,000 in each of 20 states (i.e., over \$100,000), consisting of small contributions (\$250 or less) from individuals.

## How Much Money Has Been Given Out?

For the general election, the law provides a fixed amount indexed to inflation. In 1976, each major-party nominee received \$21.8 million. By 1992, reflecting inflationary trends, that amount grew to \$55.2 million.

In the Presidential primaries, the total amount paid to campaigns varies from year to year. In 1992, 11 primary candidates received a total of \$42.7 million in matching funds. Most candidates ran as Republicans or Democrats; two third-party candidates also qualified for public funds.

Convention funding is a fixed amount indexed to inflation. In 1992, each major party received \$10.6 million to conduct its Presidential nominating convention.

## How Do Candidates Spend Their Funds?

Candidates spend the checkoff dollars on campaign advertising, campaign staff, campaign travel, fundraising and other campaign expenses. They may not use the federal money for personal expenses or for any purpose not related to the campaign.

## Does Anyone Monitor Candidates' Use of Funds?



Yes. At the end of every Presidential election, the FEC audits the campaigns that receive public funds. Any unused funds or funds that were not spent for campaign purposes must be returned to the U.S. Treasury. Since 1976, approximately \$8.7 million has been returned to the Treasury.

## Who Administers the Checkoff Program?

The FEC administers and enforces the public funding program. For example, the agency:

- Certifies the eligibility of the candidates and the amount of matching funds primary candidates receive;
- Audits the committees that receive public funds;
- Publishes the campaign finance data reported by the candidates and committees;
- and
- Investigates alleged violations when justified and may initiate civil court actions to enforce the law.

The IRS monitors the flow of checkoff dollars into the Fund, and the Treasury Department makes the actual payments to candidates and committees.

## Is the Checkoff Used for Administering the Public Funding Program?

No. All of the checkoff money is used for funding Presidential elections. Costs of administering the program are covered by the FEC's budget, appropriated each year by Congress.

## What Would Happen If Checkoff Dollars Ran Short?

If a shortfall occurred in the Presidential Fund, the Secretary of the Treasury would allocate the remaining funds among the eligible candidates and committees. The law requires that priority be given first to party nominating conventions, then to general election nominees and last to primary election candidates. If there were insufficient funds for the primary election candidates, the Treasury would provide only partial matching funds.

## Does Checking "Yes" Increase My Tax?

Checking the "yes" box does not increase the amount of tax you owe, nor does it decrease any refund to which you are entitled.

## The Taxpayer's Choice

In establishing the checkoff program, Congress left the single most important decision to you, the taxpayer. You decide whether you want three dollars of your tax to be used for the Presidential funding program described in this brochure. The choice is yours to voluntarily check yes or no.

