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ADVISORY OPINION 2022-24

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Dear Mr. Reese and Ms. Anspach:

We are responding to your advisory opinion request on behalf of Allen Blue, concerning the application of the Federal Election Campaign Act, 52 U.S.C. §§ 30101-45 (the “Act”), and Commission regulations to Mr. Blue’s proposal to establish an irrevocable trust during his lifetime that would make contributions to candidates and political committees, among other recipients. The Commission concludes that: (1) the proposed trust may make contributions to federal candidates and political committees; (2) contributions from the trust must be attributed only to the trust if the trustees have discretion over the selection of the recipient of the contribution, and contributions must be attributed to the trust and to Mr. Blue if they are made to “designated recipients” pursuant to criteria in the trust instrument; and (3) indexed contribution limits in effect at the time that the trust makes a contribution to a candidate or political committee would apply.

Background

The facts presented in this advisory opinion are based on your letter dated October 3, 2022.

Allen Blue is a United States citizen. Mr. Blue represents that he is over 18 years old, is not a federal government contractor, and is eligible to make contributions to

federal candidates and political committees.¹ As part of his estate planning, Mr. Blue proposes to create an irrevocable trust, a legal form “which prohibits the requestor from amending or terminating the trust after its creation.”² The trust would begin operating during Mr. Blue’s lifetime and is thus a living, *i.e.*, *inter vivos* trust.³ All trust assets would be “personally held” by Mr. Blue until he transfers the assets to the trust; the trust would not receive funds from any source other than Mr. Blue and any investment income from the assets provided by him to the trust.⁴ Mr. Blue would not be a beneficiary of the trust.

Mr. Blue represents that the “trust’s major purpose would not be campaign activity. Its major purpose would be supporting nonprofit organizations that align with the requestor’s progressive values.”⁵ According to the request, the “majority of the trust’s disbursements would be for the general support of nonprofit organizations that are not registered as political committees under the Act.”⁶ The request also states that “[t]he trust would not earmark any of the funds it distributes to non-profit organizations to be contributed to candidates or political committees or otherwise direct its distributions to non-profits to be used for federal political purposes.”⁷ The trust documents would prohibit the trust “from engaging in independent expenditures or electioneering communications.”⁸

In addition to its contributions to nonprofit organizations, the trust “would also contribute to federal candidates for public office, to federal and state political party committees, and to other federally-registered committees.”⁹ The requestor represents that if the trust makes contributions to federal candidates or political committees during Mr. Blue’s lifetime, the trust will share an aggregate contribution limit with Mr. Blue.¹⁰

¹ Advisory Opinion Request (“AOR”) at AOR001.

² AOR001.

³ A living, *i.e.*, *inter vivos*, trust is a trust created by an individual during his or her lifetime and may be either revocable or irrevocable. See IRS Q&A, “What are testamentary and Inter Vivos trusts?”, <https://www.irs.gov/businesses/small-businesses-self-employed/abusive-trust-tax-evasion-schemes-questions-and-answers> (last visited Nov. 1, 2022).

⁴ AOR001.

⁵ AOR004 (emphasis in original).

⁶ AOR002.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ *Id.*

Disbursements from the trust, including contributions to candidates and political committees, would be administered by trustees. The founding trust documents would name the initial trustees, and the initial trustees would be authorized to appoint additional eligible trustees. All trustees would be natural persons over 18 years old who are U.S. citizens or lawful permanent residents eligible to contribute to federal candidates and political committees.

The trust instruments would permit contributions “to designated recipients based on objective criteria set forth in the trust instrument, such as a particular party committee or the Democratic nominee in a particular district or state,” and contributions to candidates and political committees selected by the trustees in their discretion following standards provided in the trust document.¹¹ Those discretionary standards “would require the trustees to support only candidates and committees that further Mr. Blue’s support for progressive candidates and/or for his support of action to protect the environment, ensure the equality of all persons under the law, and protect the least-well-off among us.”¹²

Questions Presented

1. *May the proposed trust contribute to federal candidates, political party committees, and other federally registered committees under the Act and Commission regulations?*
2. *How should contributions from the trust be attributed when the trustee has discretion over the recipient of contributions from the trust’s funds?*
3. *Do the indexed contribution limits applicable at the time the contribution is made by the trust apply?*

Legal Analysis

1. *May the proposed trust contribute to federal candidates, political party committees, and other federally registered committees under the Act and Commission regulations?*

Yes, the proposed trust may contribute to federal candidates, political party committees, and other federally registered committees under the Act and Commission regulations because the trust would be a “person” under the Act and is not a prohibited source.

¹¹ AOR002.

¹² *Id.*

The Act provides limits on contributions by any “person,” other than a source prohibited from making contributions, to federal candidates and political committees.¹³ The term “person” under the Act broadly includes “an individual, partnership, committee, association, corporation, labor organization, or any other organization or group of persons,” subject to exclusions not relevant to this request.¹⁴ The Act and Commission regulations do not expressly list trusts in the definition of “person.” However, the Commission has concluded in previous advisory opinions that, “[b]ecause the Act includes no express or implied prohibitions on contributions” from a testamentary estate, a testamentary estate is within the definition of “person” for purposes of the Act and is treated as the “successor legal entity to the testator” for purposes of the Act’s contribution limits, including where the estate funds are contributed to a political committee through a testamentary trust.^{15, 16}

While the trust proposed by Mr. Blue is not a testamentary trust because it would be funded and active during his lifetime, the same principles apply here. The Act provides no express or implied prohibition on contributions by a living trust, and the proposed trust fits within the Act’s broad definition of “person.” As with a testamentary trust, the proposed living trust would serve as a successor entity to Mr. Blue, sharing his contribution limit.¹⁷ Because the trust and Mr. Blue would share an aggregate contribution limit, treating the trust as a “person” under the Act would not enable Mr.

¹³ 52 U.S.C. § 30116(a)(1); *see also* 11 C.F.R. § 110.1(a), (b).

¹⁴ 52 U.S.C. § 30101(11); *see also* 11 C.F.R. § 100.10.

¹⁵ “A testamentary trust is created by a will, which begins its existence upon the death of the person making the will, when property is transferred from the decedent’s estate.” *See* IRS Q&A, “What are testamentary and Inter Vivos trusts?”, <https://www.irs.gov/businesses/small-businesses-self-employed/abusive-trust-tax-evasion-schemes-questions-and-answers> (last visited Nov. 1, 2022).

¹⁶ Advisory Opinion 2004-02 (National Committee for an Effective Congress) (“NCEC”) at 2-3; *see also* Advisory Opinion 1988-08 (Nelson) at 2 (“Because the Act includes no express or implied prohibition on contributions from a decedent’s estate, including those distributed through a trust created by the decedent . . . a testamentary estate is the successor legal entity to the testator and qualifies as a person under the Act subject to the same limitations and prohibitions applicable to the decedent in the decedent’s lifetime.”) (superseded in part on other grounds).

¹⁷ AOR002.

Blue to use the trust to make excessive contributions. Accordingly, the proposed trust may make contributions to candidates and political committees.^{18, 19}

2. *How should contributions from the trust be attributed when the trustee has discretion over the recipient of contributions from the trust's funds?*

Contributions from the trust must be attributed to both the trust and to Mr. Blue if the trustees make contributions to “designated recipients based on objective criteria set forth in the trust instrument, such as a particular party committee or the Democratic nominee in a particular district or state.”²⁰ On the other hand, if the trustees have broad discretion to select as recipients of contributions “candidates and committees that further Mr. Blue’s support for progressive candidates and/or for his support of action to protect the environment, ensure the equality of all persons under the law, and protect the least-well-off among us,” then such contributions should be attributed only to the trust, and not to Mr. Blue or the trustees.²¹

The Commission has addressed a similar question in the context of testamentary trusts. In Advisory Opinion 1996-03 (Breedon-Schmidt Foundation), the Commission considered political contributions made by a foundation established by a testamentary trust. In that advisory opinion, the declaration of trust under which the foundation was established stated that foundation funds were to be used “to pay out such sums as contributions and subsidies and for conducting operations themselves to persons, entities and causes of Socialism and those causes related to Socialism,” including by “supporting . . . candidates for public office.”²² The Commission concluded that because political contributions authorized by the foundation’s trustees were “explicitly limited by the purposes and conditions set forth” by the testator, contributions made by the foundation

¹⁸ However, the trust may not make contributions to a political committee if the trust’s trustees also serve as officers, directors, employees, members, or agents of the political committee receiving the contribution. Advisory Opinion 2004-02 (NCEC) at 3 (concluding that requestor, a political committee, “may accept contributions only from trusts for which neither [the political committee] nor an officer, director, employee, member, agent, or affiliated organization of [the political committee] serves as trustee”). This limitation on permissible recipients ensures that the recipient political committee does not control trust funds that exceed the Act’s limits on contributions to that committee. *See id.* (explaining that, to avoid an excessive contribution, a political committee may not “exercise any control over the undistributed trust corpus or interest amounts”).

¹⁹ The requestor does not ask the Commission to determine whether the proposed trust would be a political committee under the Act and Commission regulations. Accordingly, this advisory opinion does not reach that issue. The requestor represents that “[t]he trust’s major purpose would not be campaign activity. Its major purpose would be supporting nonprofit organizations that align with the requestor’s progressive values.” AOR004 (emphasis in original). The Commission’s conclusions in this advisory opinion rely upon that representation.

²⁰ AOR002.

²¹ *Id.*

²² Advisory Opinion 1996-03 (Breedon-Schmidt Foundation) at 2.

“should be attributed to the successor in interest to [the testator] and his estate, the Foundation, rather than to the Foundation’s trustees.”²³ The Commission reached this conclusion even though the foundation’s trustees had broad discretion to make political contributions that would advance the cause of Socialism.²⁴

In Advisory Opinion 1999-19 (Ellis), the Commission considered a proposal by an individual who had established a living trust for which he served as the sole beneficiary, trustee, and trustor, to make a contribution to a candidate committee using funds held in trust. In that circumstance, the Commission determined that the contribution was a contribution from that individual only, and not the trust, because the individual was “the beneficial owner and . . . retained complete control over use of the funds in the trust.”²⁵ The Commission also noted that this individual would be considered the contributor under 11 C.F.R. § 104.8(c), since it would be his signature that “appears on the written instrument making the contribution.”²⁶

Here, Mr. Blue’s proposal resembles the circumstances described in Advisory Opinion 1996-03 (Breden-Schmidt Foundation) and Advisory Opinion 1999-19 (Ellis). The trust would be established by Mr. Blue as part of his estate plan as an irrevocable trust, and so Mr. Blue would have no authority to amend or terminate the trust or withdraw funds from the trust after its creation. In addition, Mr. Blue would not be a beneficiary of the trust.²⁷

In addition to obligating the trust to make contributions “to designated recipients based on objective criteria set forth in the trust instrument,” the trust documents would provide discretion to the trustees to support progressive candidates and make contributions to “candidates and committees that further Mr. Blue’s support for progressive candidates and/or for his support of action to protect the environment, ensure the equality of all persons under the law, and protect the least-well-off among us.”²⁸ These discretionary standards are similar to those governing the foundation in Advisory Opinion 1996-03 (Breden-Schmidt Foundation), which authorized political contributions to promote Socialism, and the Commission determined that, in those circumstances, contributions by the Breden-Schmidt Foundation “should be attributed to the successor in interest to Mr. Breden and his estate, *the Foundation*, rather than to the

²³ *Id.* at 3.

²⁴ *Id.*

²⁵ Advisory Opinion 1999-19 (Ellis) at 2.

²⁶ *Id.*

²⁷ AOR002. The Commission also assumes that Mr. Blue would not serve as a trustee of the trust.

²⁸ *Id.*

Foundation’s trustees.”²⁹ Similarly, like in Advisory Opinion 1999-19 (Ellis), the trustees for Mr. Blue’s trust would exercise near “complete control over use of the funds in the trust” — including deciding when and to whom to make political contributions — subject only to general guidelines in the trust documents, and the trustees would be responsible for authorizing and signing any contribution made by check or other written instrument. Accordingly, the contributions here should be attributed to the trust alone when they are made at the broad discretion of its trustees, whereas other contributions made to “designated recipients” pursuant to “objective criteria set forth in the trust instrument” should be attributed to both the trust and Mr. Blue.³⁰ In either case, the contributions should not be attributed to the trustees.³¹

3. *Do the indexed contribution limits applicable at the time the contribution is made by the trust apply?*

The indexed contribution limits in effect at the time that the trust makes a contribution to a candidate or political committee, not those in effect at the time Mr. Blue provides assets to the trust, would apply to contributions from the trust’s funds.

Under Commission regulations, a contribution is made “when the contributor relinquishes control over the contribution,” which occurs “when it is delivered by the contributor to the candidate, to the political committee, or to an agent of the political committee.”³² In the context of a testamentary estate, the Commission has previously determined that this occurs when the estate relinquishes control of the funds to the candidate or political committee.³³ A testamentary estate “is subject to the same limitations and prohibitions as the decedent would be subject to if he were still living and making the contributions directly,” and the applicable limits are those that “would apply to the decedent if he were alive when the estate makes the contribution.”³⁴

²⁹ Advisory Opinion 1996-03 (Breedon-Schmidt Foundation) at 3 (emphasis added). *See also* Advisory Opinion 1988-08 (Nelson) at 2 (contributions by decedent’s trust estate to multicandidate political committee reportable as made by the decedent’s trust estate); Advisory Opinion 1986-24 (PACE) at 2 (contributions by decedent’s estate to SSF reportable as made by decedent’s estate).

³⁰ *See* Advisory Opinion 2004-02 (NCEC) at 2 (requiring contributions to be reported as made by both testamentary trust and decedent when trustee exercised no discretion “over whether a contribution is made or over the amount of a contribution.”).

³¹ While the trustees would exercise control over the ultimate recipient of a contribution, they would do so as agents acting on behalf of the trust.

³² 11 C.F.R. § 110.1(b)(6).

³³ Advisory Opinion 2015-05 (Shaber) at 3, n.3; *see also* Advisory Opinion 1999-14 (Council for a Livable World) at 3 (concluding that contributions made by testamentary bequest to political committee were made “at the time the funds were distributed by the estate” to the committee).

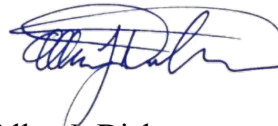
³⁴ Advisory Opinion 2015-05 (Shaber) at 3, n.3 (explaining “if an individual were to die in 2016 and bequeath to a committee a contribution that his estate were to disburse in 2018, the 2018 contribution limit would apply to that contribution”).

Similarly, here, the limits that apply to a contribution by the proposed trust to a candidate or political committee are those that would apply to Mr. Blue (whether he is living or deceased at the time of the contribution) at the time that the trust relinquishes control of the funds to the ultimate recipient political committee or candidate. Because the trust may make political contributions while Mr. Blue is still living, the requestor acknowledges that “the trust would share its aggregate contribution limits with the requestor” during his lifetime.³⁵

The Commission expresses no opinion regarding the potential application of tax law or trust and estate law to the proposed activities because those questions are not within the Commission’s jurisdiction.

This response constitutes an advisory opinion concerning the application of the Act and Commission regulations to the specific transaction or activity set forth in your request.³⁶ The Commission emphasizes that, if there is a change in any of the facts or assumptions presented, and such facts or assumptions are material to a conclusion presented in this advisory opinion, then the requestor may not rely on that conclusion as support for its proposed activity. Any person involved in any specific transaction or activity that is indistinguishable in all its material aspects from the transaction or activity with respect to which this advisory opinion is rendered may rely on this advisory opinion.³⁷ Please note that the analysis or conclusions in this advisory opinion may be affected by subsequent developments in the law including, but not limited to, statutes, regulations, advisory opinions, and case law. Any advisory opinions cited herein are available on the Commission’s website.

On behalf of the Commission,



Allen J. Dickerson
Chairman

³⁵ AOR002.

³⁶ See 52 U.S.C. § 30108.

³⁷ See 52 U.S.C. § 30108 (c)(1)(B).