# With Effort, Campaign Donors Can

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Avoiding campaign finance disclosure isn't as easy as it used to be, but for the determined, it is still possible, researchers say.

The Federal Corrupt Practices and Political Activities Act was replaced April 7 by the more explicit Federal Election Campaign Act.

The old law was pockmarked with "not really loopholes—just gaps where the law was silent," as James H. Duffy, chief counsel to the Senate Subcommittee on Privileges and Elections, said.

Dwayne O. Andreas, a Minnesota soybean magnate, walked through one of those gaps with a $25,000 contribuiton in support of President Nixon's re-election campaign. That money ended up in the bank account of one of the men arrested at Democratic National headquarters at the Watergate.

The 1925 Federal Corrupt Practices Act declared contributions to a candidate or a committee in excess of $5,000 were illegal. One way to get around the requirement was to divide larger contributions among different committees to pare down the amount to less than $5,000 for each.

The multiple committee subterfuge was "immoral and unethical but not illegal," Duffy said. Whether violation of intent of the Federal Corrupt Practices Act was a violation of the law itself was never tested in court because both parties did it, he said.

"Mr. and Mrs. Andreas agreed to contribute $25,000 to Committees for the Re-election of the President," said Maurice Stans, chairman of the Finance Committee to Re-elect the President, replying to a General Accounting Office report charging his committee with apparent violations of new election laws. Besides stressing the plural of committee, Stans noted that Andreas' contribution was completed before April 7, and not subject to the new law.

One way to get around the intent of the new law—which requires disclosure to the public of who contributes to which candidates—was to collect the bulk of a campaign's finances before the law went into effect.

Researchers for Common Cause's campaign monitoring project point to a number of candidates with what they believe are large amounts of cash on hand before April 7. Individual contributors could avoid having donations made public by getting them in under the line.

One of these, Sen. Jack Miller (R-Iowa) listed $202,581.21 on hand when the new law took hold. As of Aug. 31, only $34,561.22 had been added to that amount. Miller won 84.4 per cent of the votes in the primary and "there is every indication that he's going to win in November," according to campaign director George Wilson. Most of the money on hand on April 7 was collected at a May, 1971, fund-raising dinner, Wilson said. Some 3,500 tickets for $50 each were sold, he said.

The Committee for the Re-election of the President, which collected more than $10 million from undisclosed contributors before the April 7 deadline, tried to keep secret another campaign finance gimmick. Under this one, taxes not disclosure, were avoided by having the committee that handled contributions self-destruct before April 7, The Wall Street Journal reported.

The committees, with names like the Better America Council and United Friends of Good Government, were created to accept gifts of appreciated stock to sell. The stock was parceled out so that each committee received no more than $3,000 worth. Gifts of $3,000 or less are not subject to a gift tax. Both parties have created multiple committees to help donors avoid that tax.

If the donors had sold the stock themselves, they would have paid a capital gains tax on the difference between the price at which it was purchased and the price for which it was sold. Because the campaign committee sold it, they will pay no tax on the increase in the stocks' value which was a gift rather than income. Political donors who contribute from income (on contributions of more than $25) are giving money on which probably they have paid taxes or will.

Though it won't be possible to obscure large individual contributions in the future by beating the deadline, a few avenues will remain open for benefactors who want to keep their names out of public view.

For instance, the last report on campaign finances in federal elections is supposed to be complete as of at least 10 days before the election. But, to insure the disclosure of large, lump-sum contributions at the last minute, the law adds that contributions of $5,000 or more received after the last report prior to the election must be disclosed within 48 hours after they are received.

But there is a loophole.

Those who contribute up to $4,999 can remain anonymous until after the election.

There are other ways to obscure financial backing. Campaign contributions of $100 or less are not required to be listed by donor, with name, address, occupation and principal place of business. In the case of candidates who list a substantial portion of contributions as unitemized ($100 or less), Common Cause monitors suspect the size of donations may have been calculated to avoid disclosure.

Suspicion is strongest when the candidate in question has surrounded himself with an unusually large number of campaign committees. Multiple committees would make it easier to parcel out large contributions.

As of June 7, Sen. John McClellan (D-Ark.), with 12 campaign committees, had collected $52,323.50 in unitemized

# Avoid Disclosure

receipts—almost half of his $105,490.50 total, according to Common Cause's Tom Pokorni. Rep. Frank A. Stubblefield (D-Ky.) had collected $6,625 of his $13,855 on hand as of June 10, through unitemized contributions. Stubblefield lists 14 campaign committees.

Another type of anonymity —earmarked contributions— may not survive testing as enforcement of the new law takes shape. Earmarking allows an organization or an individual to contribute to a committee which contributes to a number of candidates and designate which candidate should receive the money. In the candidate's records the gift shows up only as a donation from, for instance, the Democratic Congressional Campaign Committee.

BANKPAC, the Banking Profession Political Action Committee, has said that it may earmark money to save candidates the onus of taking money from the banking industry. An article in the American Banker, inserted in the Congressional Record by banking foe Wright Patman (D-Tex.), said "It seems reasonable, . . . to expect that, in view of the unfavorable publicity two years ago, many of the BANKPAC beneficiaries will request the checks be routed anonymously to them through the national party organization."

The device is "used by many lobbies to disguise the source of campaign contributions — a procedure that is still legal under the new law . . ." the American Banker said.

Herbert Alexander, director of the Citizens Research Foundation of Princeton, N.J., disputes this. "No person shall make a contribution in the name of another person, and no person shall knowingly accept a contribution made by one person in the name of another person," section 310 of the law states. This includes committees, Alexander contends.

Both Duffy and Alexander think the new law is about as good as it reasonably can be. Requiring reports on contributions of less than $100 would be too cumbersome, they suggest. No one would be able to wade through the volume of material such a requirement would produce in order to discover big contributors, Alexander said.

"We need to reshape the personalities of the donors and campaign treasurers," not the law, Duffy said.