

Here's How a Small Tax Credit Could Bring Bigger Democracy

JEFF BRINDLE • 05/08/18 6:00 am

Sometimes we need to look to the past to help with the present.

Until 1986, individuals making political donations were eligible for a tax credit. The law once provided a credit for half of campaign contributions up to \$50 for a single taxpayer and half of contributions up to \$100 for joint returns.

As part of the 1986 tax reform package, Congress rejected a House proposal to expand the tax credit and instead repealed it. The repeal removed an important incentive for taxpayers to participate in democracy by making small donations.

Much like today, campaign financing was changing 32 years ago.

Nationally, special interest political action committees (PACs) were growing in influence over congressional elections.

In an op-ed column in *The New York Times* on July 30, 1986, Norman J. Ornstein noted that during the previous decade, contributions by special interest political action committees (PACs) had increased from 17 percent to 37 percent of total receipts.

The same trend was taking shape in New Jersey. PACs were becoming a driving force in legislative elections.

The Election Law Enforcement Commission's white paper "Is There a PAC Plague in New Jersey" stated that PACs had grown in number between 1983 and 1987 from 109 to 238. Between those legislative elections, contributions from PACs increased 87 percent, \$1.5 million to \$2.8 million.

In the column mentioned above, Ornstein expressed concern that ending the tax credit for political donations would lead to more clout for PACs and less for individual contributors.

Ornstein wrote: "Most reformers have focused on the PAC side of the equation... But it will be difficult to alter the balance without... finding ways to encourage individual citizens to get involved in the process and contribute, in small amounts, to campaigns, thereby giving candidates a greater incentive to solicit money from individuals instead of groups and PACs."

He continued, "unfortunately, the tax reform package is in danger of moving in the opposite direction..." Which, in the end, it did.

Information available from the Campaign Finance Institute shows some unusually charismatic candidates have had recent success raising money from small donors, most notably presidential candidates Donald Trump (69

percent) and Bernie Sanders (44 percent). But most candidates raise only a fraction of their war chests through small contributions.

Restoring and perhaps expanding a tax credit would help increase their clout. Especially now that history is repeating itself.

Today, instead of a PAC plague, there is a minefield of independent, often secretive, groups plaguing the electoral landscape.

The onslaught of independent group spending began in earnest following the enactment of the Bipartisan Campaign Reform Act (BCRA) in 2002. Between 2002 and 2008, two years before the United States Supreme Court ruling in *Citizens United*, independent group spending increased by over 1,000 percent.

Following *Citizens United*, spending by anonymous groups exploded.

Just like with PAC spending in the 1980s, the trend in independent group activity, which began nationally, trickled down to the states.

In New Jersey, it has become a dominant force in elections, both at the state level and increasingly at the local level of politics.

For example, between 2005 and 2007 legislative and gubernatorial elections, independent groups spending increased by an astronomical 11,458 percent. In 2005 they spent \$411,224 whereas in 2017 they spent \$47.5 million, 25 percent of total spending.

Increasingly, independent groups are dominating elections in New Jersey, more so than weakened political parties and even the candidates themselves.

The Election Law Enforcement Commission (ELEC) has put forth proposals to offset the influence of secretive groups by strengthening political parties, reforming pay-to-play and requiring registration and disclosure by independent groups.

The proposals include:

Parties

1. Removing political parties from pay-to-play;
2. Increasing contribution limits pursuant to parties;
3. Allowing parties to participate in gubernatorial elections;
4. Permitting county parties to give to each other.

Pay-to-Play

1. One state law;

2. Strengthen disclosure;
3. End “fair and open” provision;
4. Increase contribution limit for contractors to \$1,000;
5. Include special interest PACs under pay-to-play;
6. Disclosure of contractor donations to independent groups.

Independent Groups

1. Registration;
2. Disclosure of contributions and expenditures.

Now is the time to add an additional proposal to the package above: tax credits for political donations to political parties and candidates.

Tax credits for donations to political parties and candidates, combined with the enactment of the proposals highlighted above, would go far toward redirecting the flow of money in New Jersey campaigns away from secretive groups and toward more accountable parties and candidates.

To make matters even better, tax credits would serve as an incentive for citizens to involve themselves in elections through donating to parties and candidates in small amounts.

Jeff Brindle is the Executive Director of the New Jersey Election Law Enforcement Commission—read his full bio [here](#).