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**For meeting of August 17, 2017**  
**SUBMITTED LATE**

August 16, 2017

**MEMORANDUM**

TO: The Commission

FROM: Lisa J. Stevenson *LJS*  
Acting General Counsel

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Subject: AO 2017-06 (Stein/Gottlieb) Draft A

Attached is a proposed draft of the subject advisory opinion.

Members of the public may submit written comments on the draft advisory opinion. We are making this draft available for comment until 9:00 am (Eastern Time) on August 17, 2017.

Members of the public may also attend the Commission meeting at which the draft will be considered. The advisory opinion requestor may appear before the Commission at this meeting to answer questions.

For more information about how to submit comments or attend the Commission meeting, go to <https://www.fec.gov/legal-resources/advisory-opinions-process/>

Attachment

1 ADVISORY OPINION 2017-06

2

3 Jonathan S. Berkon, Esq.

4 Tyler J. Hagenbuch, Esq.

5 Perkins Coie LLP

6 700 13th St. NW, Suite 600

7 Washington, DC 20005-3960

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9 Dear Messrs. Berkon and Hagenbuch:

**DRAFT A**

10 We are responding to your advisory opinion request on behalf of Eli Stein and Jeremy  
11 Gottlieb, concerning the application of the Federal Election Campaign Act, 52 U.S.C. §§ 30101-  
12 46 (the “Act”), and Commission regulations to a proposed mobile app that will process users’  
13 contributions to federal candidates. The Commission concludes that the proposal is permissible  
14 and complies with all applicable provisions of the Act and Commission regulations.

15 **Background**

16 The facts presented in this advisory opinion are based on your advisory opinion request  
17 received on June 22, 2017.

18 Mr. Stein and Mr. Gottlieb intend to create a for-profit LLC<sup>1</sup> (the “Project”) that will  
19 develop and administer a mobile app (the “App”), which allows users to round up the change  
20 from their credit card and debit card purchases and contribute that amount to federal candidates.  
21 Advisory Opinion Request at AOR001. The Project aims to “help users easily identify races  
22 where their contributions will have the most impact,” AOR001, by identifying the closest races  
23 and candidates most in need of contributions. AOR002.

24 The Project will use data and analysis to identify swing districts in U.S. House of  
25 Representatives and Senate elections, and from those swing districts the Project will select 20-30  
26 candidates to include in the App as “Featured Candidates.” AOR001. There will be no

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<sup>1</sup> The requestors state that for purposes of this advisory opinion, the Commission may presume that the Project will be a corporation for purposes of the Act. AOR003 n.3.

1 mechanism for candidates to apply to be Featured Candidates. *Id.* The Project may add or  
2 remove candidates from the App over time as it updates its research. AOR002. Decisions about  
3 which candidates to include as Featured Candidates will not be made for the purpose of  
4 influencing any federal election, but rather to increase user participation in the App. *Id.*

5 A user will begin the process of using the App by providing information to the Project,  
6 through its website, about the credit cards, debit cards, and bank accounts the user plans to use to  
7 make contributions. AOR003. The user will then download the App and choose one of three  
8 ways of selecting candidates and distributing funds among the selected candidates:

9 (1) The “All Candidates” option: the App will distribute the user’s funds equally  
10 among all of the Featured Candidates.

11 (2) The “Custom Basket” option: the user will choose which of the Featured  
12 Candidates to support, and the App will distribute the user’s funds equally among the  
13 chosen candidates.

14 (3) The “Project Basket” option: the user will select groups of candidates that the  
15 App creates from the list of Featured Candidates based on criteria that the Project  
16 determines are likely to encourage user participation, such as region, gender, type of  
17 opponent (*e.g.* challengers or incumbents), or funds raised to date. AOR002-003.

18 In the future, the Project may consider other ways to distribute a user’s funds, such as  
19 allowing users to opt for unequal divisions among candidates, but currently such a feature would  
20 be too burdensome to implement. AOR002. If the Project adds or removes candidates from a  
21 Project Basket, any user who has already selected that Project Basket will be notified and given a  
22 chance to affirmatively opt-in to the new version of the Project Basket. If the user takes no

1 action, his or her funds will continue to be distributed to the candidates in the previous version of  
2 the Project Basket. *Id.*

3         Next, any time the user makes a purchase with the card or account they have entered in  
4 the App, the App will round up the amount of the purchase to the nearest whole dollar and treat  
5 the difference between the original purchase amount and the rounded-up amount as a pledged  
6 contribution to the candidates the user has selected. AOR001, AOR003. These amounts will be  
7 treated as pledges until the combined pledges reach a certain minimum threshold, such as \$10, at  
8 which time the Project will charge the user’s card or account for those pledges and deposit the  
9 funds into a “merchant services account” — an account belonging to the Project but separate  
10 from its general treasury account. AOR003. After the user is charged for those pledges, the  
11 process will reset and the user will not be charged again until his or her combined pledges again  
12 reach the minimum threshold. *Id.* If users withdraw from participation in the App before  
13 reaching that threshold, their pledges will be cancelled and their card or account will not be  
14 charged. *Id.*

15         The Project will transfer contributions from its merchant services account to the  
16 candidate committees selected by the user no later than ten days after the funds are placed in the  
17 merchant services account. *Id.* The Project will not exercise any direction or control over users’  
18 funds in the merchant services account, except that it will not process a contribution that exceeds  
19 applicable contribution limits. *Id.*

20         The Project will charge users a fee for its services that will (1) cover the Project’s  
21 overhead, research, programming, and other costs; (2) cover bank fees and processing fees  
22 incurred in credit and debit card transfers; and (3) provide a commercially reasonable profit to

1 the Project.<sup>2</sup> AOR003-004. The Project will not contract with candidate committees to provide  
2 contribution processing services, nor will it receive compensation from recipient committees.  
3 AOR004. Rather, because the Project provides research, analysis, and contribution processing  
4 services to users, the Project will cover its costs and earn a profit by charging fees to users. *Id.*  
5 The Project's fee will be deducted from the user's contribution before it is transferred from the  
6 merchant services account to the recipient committees; the fee will be transferred to the Project's  
7 general treasury account and the remainder will be transferred to the recipient committees  
8 selected by the user. *Id.*

9 When forwarding users' contributions to the recipient committees, the Project will also  
10 provide committees with each contributor's full name, address, occupation, and employer, which  
11 users will be required to provide before they can make contributions through the App.<sup>3</sup> *Id.*  
12 Users will receive electronic notice of their contributions to each recipient committee so that they  
13 can monitor their contribution limits. *Id.*

14 In its first election cycle, the Project will market its App and services to Democratic  
15 contributors, and the App will feature only Democratic candidates, due to "the current  
16 groundswell in voter and donor interest in swinging the U.S. House of Representatives to

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<sup>2</sup> If the Project decides in the future to add recipients other than federal candidates or political committees to the App, such as charitable organizations or non-federal candidates, it will charge the same fee for all contributions or donations, regardless of the type of entity to which users choose to donate their funds. AOR004 n.5.

<sup>3</sup> The users also will be required to affirmatively agree to the following statement:

This contribution is made from my own funds. Funds are not being provided to me by another person or entity for the purpose of making political contributions. I am making this contribution with my own personal credit card or bank account and not with the credit card or bank account of a corporation, business, or another person. I am not a federal contractor. I am at least eighteen years old, and I am a U.S. citizen or lawfully admitted permanent resident.

1 Democratic control.” AOR002. The Project’s founders do not believe they could successfully  
2 market the App as a bipartisan platform in the current political environment. AOR002-003.

### 3 **Questions Presented**

4 1. *May the Project provide users with analytics and data processing services and*  
5 *charge users a fee for those services, without the fee amount being considered a contribution to*  
6 *recipient political committees?*

7 2. *May the Project limit the available pool of recipient committees to which users*  
8 *can make contributions without the services provided to users — or the fees paid for those*  
9 *services — being considered a contribution to the recipient committees included on the App?*

10 3. *Would contributions made through the Project’s services be “direct contributions*  
11 *to the candidate or candidate’s committee made via a commercial contribution processing*  
12 *service,” rather than contributions earmarked through a conduit or intermediary?*

13 4. *Does the Project comply with the Act and Commission regulations in all other*  
14 *respects?*

### 15 **Legal Analysis and Conclusions**

16 1. *May the Project provide users with analytics and data processing services and*  
17 *charge users a fee for those services, without the fee amount being considered a contribution to*  
18 *recipient political committees?*

19 Yes, the Project may provide analysis and contribution processing services to users for a  
20 fee, without such fee being considered a contribution to the recipient committees.

21 The Act and Commission regulations prohibit corporations from making a contribution to  
22 candidates in connection with a federal election. 52 U.S.C. § 30118(a); 11 C.F.R. § 114.2(b).

1 A “contribution” includes any “direct or indirect payment, distribution, loan, advance, deposit,  
2 or gift of money, or any services, or anything of value . . . to any candidate, campaign  
3 committee, or political party or organization, in connection with any [federal] election.” 52  
4 U.S.C. § 30118(b)(2); 11 C.F.R. § 114.2(b); *see also* 52 U.S.C. § 30101(8)(A)(i); 11 C.F.R.  
5 § 100.52(a). “Anything of value” includes in-kind contributions, such as the provision of goods  
6 or services without charge or at a charge that is less than the usual and normal charge. 11  
7 C.F.R. § 100.52(d)(1). Commission regulations define “usual and normal charge” as the price  
8 of goods in the market from which they ordinarily would have been purchased at the time of the  
9 contribution, or the commercially reasonable rate prevailing at the time the services were  
10 rendered.” 11 C.F.R. § 100.52(d)(2).

11 The Commission has previously concluded that “entities that process contributions as a  
12 service to contributors without entering into agreements with — or receiving compensation  
13 from — the recipient political committees are not making contributions because the entities are  
14 not providing any services to the recipient political committees.” *See* Advisory Opinion 2015-  
15 08 (Repledge) at 5; *see also* Advisory Opinion 2016-08 (eBundler.com); Advisory Opinion  
16 2015-15 (WeSupportThat.com); Advisory Opinion 2014-07 (Crowdpac) at 6; Advisory Opinion  
17 2012-22 (skimmerhat) at 4-6; Advisory Opinion 2011-19 (GivingSphere) at 7; Advisory  
18 Opinion 2011-06 (Democracy Engine) at 5. In such instances, the Commission examines  
19 whether the services are provided at the request of and for the benefit of the contributors, as  
20 opposed to that of the recipient committees. *See, e.g.*, Advisory Opinion 2015-15  
21 (WeSupportThat.com) at 4 (concluding that companies that process contributions as service to  
22 contributors are “analog[ous] . . . to widely available delivery services, such as United Parcel

1 Service, or an electronic bill-pay service, such as those provided by banks” (internal quotation  
2 marks omitted)). The Commission also considers whether the provided services relieve the  
3 recipient committees of any financial burden or obligation they would otherwise incur, thereby  
4 providing something of value that would constitute a contribution from the entity that provides  
5 the service.

6 Here, as in the proposals the Commission has previously found to be permissible, the  
7 Project will provide services to the App’s users: research and analysis of candidates and races,  
8 and contribution processing. *See, e.g.*, Advisory Opinion 2015-15 (WeSupportThat.com) (web  
9 platform to learn about, make contributions to, and send messages to candidates); Advisory  
10 Opinion 2015-12 (Ethiq) (mobile app to help users identify candidates and corporations that  
11 align with their views); Advisory Opinion 2014-07 (Crowdpac) (web platform to provide  
12 information about candidates to users and link to an external site to make contributions). Like  
13 prior requestors, the Project will charge users a fee for its services that will cover its costs and  
14 generate a profit. The Project will not enter into any relationships with candidates or  
15 committees beyond that required to forward the contributions and contributor information.

16 The Project’s contribution processing service also is similar to other contribution  
17 processing platforms the Commission has approved in the past. *See, e.g.*, Advisory Opinion  
18 2015-15 (WeSupportThat.com); Advisory Opinion 2011-06 (Democracy Engine) (web-based  
19 payment service that offered ability to make contributions to political committees). Like these  
20 prior requestors, the Project proposes to charge its users fees for collecting and forwarding their  
21 contributions to recipient committees. According to the request, the Project’s fees are intended  
22 to cover its operating costs and to generate a “commercially reasonable profit.” AOR006. The



1 Project will not be providing a service to the committees other than the processing of payments,  
2 and will not relieve the recipient committees of any expenses they would otherwise incur.  
3 Therefore, as the Commission concluded in previous advisory opinions, the fees that users will  
4 pay are not contributions to the Project because they are not gifts or donations to the Project but,  
5 rather, commercial payments in exchange for its processing services. *See, e.g.*, Advisory  
6 Opinion 2015-08 (Repledge) at 8-9; Advisory Opinion 2012-22 (skimmerhat) at 6; Advisory  
7 Opinion 2011-06 (Democracy Engine) at 6; *see also* Advisory Opinion 2006-08 (Brooks) at 4.  
8 Nor will the users' fees be contributions to the recipient committees, because those amounts will  
9 not be transferred to the committees and will not relieve the recipient committees of a cost they  
10 would otherwise incur.

11 2. *May the Project limit the available pool of recipient committees to which users*  
12 *can make contributions without the services provided to users — or the fees paid for those*  
13 *services — being considered a contribution to the recipient committees included on the App?*

14 Yes, the Project may limit the possible recipient committees to which users can make  
15 contributions through the App without the services provided or the fees paid for those services  
16 being considered a contribution to the recipient committees.

17 The Commission has previously concluded that a commercial vendor, providing services  
18 to political committees under 11 C.F.R. § 114.2(f)(1), need not make its services available to  
19 committees representing all political ideologies, but rather may establish objective business  
20 criteria to protect the commercial viability of its business without making contributions to the  
21 committees that meet those criteria. *See* Advisory Opinion 2012-28 (CTIA — The Wireless  
22 Association) at 3, 8-9 (no contribution to committee where “wireless service providers may

1 decide, due to commercial considerations, to accept proposals from some political committees  
2 and not others”); Advisory Opinion 2012-26 (Cooper for Congress *et al.*) at 10 (no contribution  
3 to committee where its participation was subject to “objective and commercially reasonable”  
4 criteria); Advisory Opinion 2006-34 (Working Assets) at 2-3 (describing requestor’s proposed  
5 use of “common commercial principles” to determine partner entities’ commercial viability).

6 Similarly, businesses that provide services to contributors, such as those that process  
7 payments for contributions or provide information about candidates and elections, may also rely  
8 on commercial considerations to target customers and limit the range of services provided,  
9 without making any contributions themselves. Here, the Project proposes to select only  
10 Democratic candidates as Featured Candidates, and plans to market its App and services to  
11 Democratic users, based on its determination that this is the best way to attract users and  
12 promote the Project’s commercial success in the current political environment. Although the  
13 Project will allow users to make contributions only to the Featured Candidates, it will select  
14 candidates it believes will increase user participation and use of the App, based on its own  
15 research and analysis and user feedback. The Project has determined that featuring Democratic  
16 candidates in swing districts on the App is the most marketable way for it to provide a service to  
17 users, by helping them identify which candidates will benefit most from their contributions.  
18 AOR007. Limiting the pool of recipient committees as proposed thus does not raise concerns  
19 that the Project is selecting the committees to influence the outcome of an election.

20 The Commission concludes that because the Project will use commercially reasonable  
21 criteria to attract users and encourage user participation and thereby grow as a business, limiting  
22 the possible candidates to whom users can contribute through the App will not cause the

1 services provided or the fee charged to users to constitute a contribution to recipient  
2 committees.

3 3. *Would contributions made through the Project’s services be “direct contributions*  
4 *to the candidate or candidate’s committee made via a commercial contribution processing*  
5 *service,” rather than contributions earmarked through a conduit or intermediary?*

6 Yes, a contribution made through the App would be a direct contribution from the user to  
7 the recipient committee, and not a contribution earmarked through a conduit or intermediary.

8 For purposes of the contribution limitations, “all contributions made by a person, . . .  
9 including contributions which are in any way earmarked or otherwise directed through an  
10 intermediary or conduit to such candidate,” are treated as contributions from the person to the  
11 candidate. 52 U.S.C. § 30116(a)(8). “Earmarked” means “a designation, instruction, or  
12 encumbrance, whether direct or indirect, express or implied, oral or written, which results in all  
13 or any part of a contribution . . . being made to . . . a clearly identified candidate.” 11 C.F.R.  
14 § 110.6(b)(1). A “conduit or intermediary” is “any person who receives and forwards an  
15 earmarked contribution to a candidate.” 11 C.F.R. § 110.6(b)(2). A forwarded earmarked  
16 contribution does not count against the conduit’s contribution limits unless the conduit  
17 “exercises any direction or control over the choice of the recipient candidate.” 11 C.F.R.  
18 § 110.6(d)(1). If the conduit does exercise such direction or control, then the entire earmarked  
19 contribution is treated as a contribution from both the original contributor and the conduit to the  
20 recipient. 11 C.F.R. § 110.6(d)(2).

21 Persons prohibited from making contributions and expenditures are prohibited from being  
22 conduits or intermediaries. 11 C.F.R. § 110.6(b)(2)(ii). Because corporations may not make

1 contributions to candidate committees, *see* 52 U.S.C. § 30118(a), they may not permissibly  
2 serve as conduits. The Commission has recognized, however, that certain electronic  
3 transactional services that assist a contributor in making a contribution — even when provided  
4 by a corporation — do not run afoul of the prohibition on corporations acting as a conduit or  
5 intermediary for earmarked contributions because they are akin to “widely available delivery  
6 services, such as United Parcel Service or an electronic bill-pay service, such as those provided  
7 by banks.” Advisory Opinion 2015-15 (WeSupportThat.com) at 4 (citing Advisory Opinion  
8 2012-22 (skimmerhat); internal quotation marks omitted); *see also* Advisory Opinion 2015-08  
9 (Repledge) at 7; Advisory Opinion 2011-06 (Democracy Engine) at 5-6.

10 As noted above, the Project will be a corporate, commercial entity<sup>4</sup> that proposes to  
11 establish a web-based platform that its users can voluntarily choose to employ to make  
12 contributions to political committees. The Project will operate on a commercial basis and will  
13 charge its users a fee for its services that will cover its costs and provide it with a profit.  
14 Further, the Project will process and transmit its users’ contributions to political committees in  
15 the ordinary course of business and only at the request of its users. The Project’s actions in  
16 calculating and processing user contributions constitute an electronic transactional service akin  
17 to “widely available delivery services, such as United Parcel Service or an electronic bill-pay  
18 service, such as those provided by banks.” Advisory Opinion 2015-15 (WeSupportThat.com) at  
19 4 (citing Advisory Opinion 2012-22 (skimmerhat); internal quotation marks omitted).

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<sup>4</sup> Although the Project will be an LLC, for purposes of this advisory opinion, the requestors have asked the Commission to presume that the Project will be treated as a corporation for purposes of the Act. AOR003 n.3.

1           The Commission notes that the Project will require that a user’s pledge be split equally  
2   among the candidates to whom the user chooses to contribute, because at this time it is not  
3   feasible for the Project to allow users to have finer control over how their contributions are  
4   distributed, but this element does not transform the Project into a conduit. In Advisory Opinion  
5   2015-08 (Repledge), the Commission approved a proposal concerning a payment processing  
6   platform where the ultimate distribution of a contributors’ funds was similarly subject to criteria  
7   set by the platform, because the criteria were clearly communicated to the contributor at the  
8   outset and could not be changed. In that advisory opinion, a for-profit corporation proposed to  
9   establish a web-based platform through which users could pledge money to a federal candidate  
10   while at the same time designating a charity to receive the funds if they were matched by  
11   pledges from supporters of the candidate’s opponent. Advisory Opinion 2015-08 (Repledge) at  
12   1-2. A user would not know at the time he or she made the pledge how much of it, if any,  
13   would ultimately be forwarded to the candidate, and the amount would be partially dependent  
14   on the actions of other users. Nonetheless, the Commission concluded that because Repledge  
15   would establish in advance and clearly communicate to users the way in which the pledged  
16   amount would be distributed between the selected candidate and the charity, and that method  
17   was not subject to change, Repledge continued to act as a commercial payment processor. *Id.* at  
18   6.

19           Similarly, the Project will communicate clearly to users at the time they make their  
20   pledges that contributions will be split equally among the selected candidates, and therefore  
21   users will choose to make pledges subject to that equal division in order to benefit from the  
22   Project’s services. Accordingly, the Commission concludes that a contribution made through

1 the App and forwarded by the Project to the recipient committees will be a direct contribution  
2 from the user through a commercial payment processing service, not a contribution earmarked  
3 through a conduit or intermediary.

4 4. *Does the Project comply with the Act and Commission regulations in all other*  
5 *respects?*

6 Yes, the Project complies with the Act and Commission regulations in all other respects.

7 The proposed methods of information collection, recordkeeping, and handling funds are  
8 consistent with the Act and Commission regulations. The Project will forward all contributions  
9 to recipient committees within ten days after the users' funds are transferred to the Project's  
10 merchant services account, in accordance with Commission regulations. 11 C.F.R. § 102.8(a).  
11 The Project will also collect users' names, addresses, occupations, and employers to provide to  
12 the recipient committees, to enable them to meet their own reporting obligations under the Act  
13 and Commission regulations. *Id.*; *see also* 11 C.F.R. § 100.12.

14 Accordingly, the Commission concludes that the Project will comply with all applicable  
15 requirements of the Act and Commission regulations.<sup>5</sup>

16 This response constitutes an advisory opinion concerning the application of the Act and  
17 Commission regulations to the specific transaction or activity set forth in your request. *See*  
18 52 U.S.C. § 30108. The Commission emphasizes that, if there is a change in any of the facts or  
19 assumptions presented, and such facts or assumptions are material to a conclusion presented in

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<sup>5</sup> The Project's proposal is also consistent with proposals approved by the Commission in prior advisory opinions, in that the Project will keep the users' funds in an account separate from the Project's own treasury funds, screen for impermissible and excessive contributions, and require users to affirm that they are using their own, permissible funds for their contributions. *See, e.g.*, Advisory Opinion 2015-08 (Repledge); Advisory Opinion 2012- 22 (skimmerhat); Advisory Opinion 2011-06 (Democracy Engine).

1 this advisory opinion, then the requestors may not rely on that conclusion as support for their  
2 proposed activity. Any person involved in any specific transaction or activity which is  
3 indistinguishable in all its material aspects from the transaction or activity with respect to which  
4 this advisory opinion is rendered may rely on this advisory opinion. *See* 52 U.S.C.  
5 § 30108(c)(1)(B). Please note that the analysis or conclusions in this advisory opinion may be  
6 affected by subsequent developments in the law including, but not limited to, statutes,  
7 regulations, advisory opinions, and case law. Any advisory opinions cited herein are available  
8 on the Commission's website.

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On behalf of the Commission,

Steven T. Walther,  
Chairman