

A Model Act for State Governments

States Can Prevent Corporate Political Donations from Influencing Grants and Tax Incentives

Purpose: States often provide tax incentives to encourage corporate investment that brings with it jobs and economic vitality. States can adopt laws to ensure that these incentives are not influenced by political donations from the very corporations that may benefit from the incentives.

Source: This document summarizes the “Corporate Welfare Integrity Act,” authored by the Existentialist Republic for the purpose of empowering State governments and their Attorneys General to ensure that political contributions are not used to curry economic favor with politicians, agencies, or administrators overseeing grant or incentive programs.

Summary: State governments have a compelling interest in ensuring that discretionary public benefits are allocated based on merit and public benefit rather than political influence. The simultaneous receipt of public economic benefits and expenditure of corporate treasury funds on political campaigns creates the appearance, if not the reality, of quid pro quo corruption in the allocation of public resources.

The Corporate Welfare Integrity Act ensures that if a corporation spends its own money on political campaigns or PACs, it does not qualify for tax breaks, subsidies, or government contracts. The Act clearly protects individual rights to donate from personal funds but prevents corporations with sufficient financial resources from using political contributions to gain access to lucrative projects that offer tax abatements, tax credits, economic development incentives, direct subsidies, grants, and government contracts.

This is not a new concept. Federal law has applied this logic to contractors since 1940 and it has been consistently upheld by the courts. Fifteen states enforce laws conditioning government contracts on limitations on political contributions, and courts have consistently upheld such laws as constitutional. If a company can afford to fund campaigns, it can afford to operate without taxpayer help.

This model Act statutorily defines covered benefits such as tax abatement, credits or exemptions, political contributions, certification and disclosure requirements, as well as penalties and enforcement. It encourages interstate cooperation to share information and provide consistency among state requirements.

This model Act was researched, written, and reviewed by legal and policy experts who can provide support to political leaders considering application of the Act. This model Act, and others that implement or strengthen state authority to resist federal overreach or protect citizens from federal failures, are available upon request.

For questions, implementation guidance, or to report on adoption progress:

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