RESEARCH PRIMER: Corporate Political Activity

> **Is it possible that one of the most critical, timely, and impactful risk factors facing your company has been overlooked?"**
>
> — William S. Laufer,
> Faculty Co-Director of the Carol and Lawrence Zicklin Center for Governance and Business Ethics

INTRODUCTION

At the intersection of business and politics in America, a new era has emerged—one marked by growing attention to political and social issues. The rapid pace of digital news and the reach of social media have amplified public engagement and debate, and expectations for businesses to take positions on societal matters are on the rise.

Corporate donations to political campaigns are at an all-time high, with billions of dollars flowing into individual candidates' campaigns and third-party entities, making it exceedingly difficult to follow the money. Companies find themselves navigating a complex landscape where action or inaction can attract both support and criticism—and where donations to political causes are increasingly falling under the microscope.

Corporate political spending is of intense interest to the press, investors, and other stakeholders, including employees and customers. Patchwork regulation does not always require a company to disclose its political contributions and expenditures. Companies cannot, however, take much comfort in the gaps in disclosure.

Political spending that companies expected would never become public has. A prime recent example is FirstEnergy's multi-million-dollar contribution to a fund controlled by the Speaker of the House in Ohio. When a corporation's political contributions become public, it can come at the cost of the company's reputation and its bottom line. This is particularly true when the contributions clash with the views of major stakeholders and the company's professed public values.

In today's polarized politics, corporate political donations are in the crosshairs. By approaching the issue through the lens of risk and value, companies can protect themselves while also promoting their core values. Before spending, a company needs to ask:

- "Can a strong case be made that the spending advances the corporation's key business objectives?"
- "Does the spending threaten the company's reputation or expose it to unnecessary risks?"[1]
- "Does the spending undermine democratic institutions, public trust, and long-term societal stability?"[2]
- "Beyond the law and a range of possible negative consequences, is such spending morally wrong? Is this simply an exploitation of First Amendment protections on corporate speech that firms should resist contributing to?"
- "Are corporations that spend generously for political access engaged in a legal form of corruption?"

THE WHO AND HOW OF CORPORATE CAMPAIGN CONTRIBUTIONS

The amount of corporate and top-level executive money going into political races is at an all-time high. The landmark Supreme Court case Citizens United v. Federal Election Commission (2010) ruled that corporations and unions could spend unlimited funds on independent political advertisements, effectively overturning prior restrictions that limited their direct spending on electioneering. Since that time, political contributions from corporations have skyrocketed.

1. Who Donates?

Donations take various forms and come from several sources.

- Corporate donations to causes—also known as corporate giving, corporate philanthropy, or corporate funds—come from an organization's main operating budget.
- High-level executives or prominent board members make donations as individuals, but stakeholders often perceive those donations as reflective of the company itself because the donors may be seen as extensions or spokespersons for the firm.
- Finally, personal donations from employees can signal the underlying culture and values of the organization and may either align with or diverge from the official giving patterns of the company, its leadership, and its customers and shareholders.

2. How Do They Donate?

Direct Donation

Direct donations to candidates and think tanks may influence policy. However, public companies are often banned or limited in how much they can donate directly to political campaigns.

Third-Party Groups

To skirt the legal limits of direct donations, many companies choose to contribute unlimited funds through third-party groups that engage in political spending at both the state and national levels. Companies may choose to use third-party groups, including 501(c)(4)s and trade associations, to hide contributions.

- 527s are nonprofit, tax-exempt groups and include organizations like political parties, candidate committees, and some political action committees (PACs).
- Trade associations
- Super PACs
- Legal defense funds that exist to bring or defend suits involving specific legal issues in which firms may have a vested interest
- Social welfare organizations or 501(c) groups

These organizations then use the companies' funds for a wide variety of political support, often without informing corporate donors of the details of their activities. In many cases, corporate donations may be transferred from the original recipient to additional third-party groups before being spent on an election.[3] This process can obscure the ultimate destination of funds both to the detriment of firms who donate, and to stakeholders who want to hold firms accountable.

BY THE NUMBERS: DONATIONS TO THIRD-PARTY GROUPS

Corporations contribute billions of dollars to elections. A window into the scope and scale of their spending comes from a close look at the millions they spend annually through "527" political organizations (governors, attorneys general, and state legislative campaign committees). According to CPA research:[4]

Since 2010:

- More than $1 billion has flowed from corporations and trade associations to six major 527s (RGA, DGA, RAGA, DAGA, RSLC, DLCC).
- Public companies and trade associations have consistently been the dominant funders of these 527s, outpacing donations from individuals, 501(c)(4) groups, and corporate PACs.
- These groups raised $2.5 billion in total; roughly 50% came from corporate contributions.
- 62% of corporate funds go to Republican groups; 37.6% to Democratic groups.

In the 2024 election cycle:

- Public companies and their trade associations contributed nearly $200 million to these six 527 groups—accounting for almost 40% of total funds raised and making them the largest donor category.

WHAT DO FIRMS RECEIVE IN RETURN FOR THEIR GIVING?

There are several reasons for firms to donate to political campaigns through third-party sources: creating favorable policy, reducing tax burdens, and having a voice in our democracy.

1. Favorable Policy and Access

Companies have long engaged in political spending to influence policy in ways that benefit their interests. Financial institutions, for example, may push for looser regulations on banking and more lenient approval of mergers to increase profitability.

Recently, this approach of "pay-to-play" has escalated.

Access to decision-makers is another key motivation, as members of Congress with limited time are more likely to meet with major donors than with smaller contributors, which can skew their understanding of issues toward the perspectives of wealthier interests. Meanwhile, policies affecting workers' rights and unions can be shaped or challenged depending on which voices dominate the political conversation.

> **The days of donating just for access are over—now, political contributions are often expected or even demanded."**
>
> — Bruce F. Freed
> President and Co-founder of the Center for Political Accountability

2. Tax Benefits

Research shows that companies may be able to accrue significant benefits in the form of tax reductions from lobbying and other political contributions; and, they may also profit from not having a beneficial tax provision removed which would in turn increase their tax.[5]

Companies can lower both their Generally Accepted Accounting Principles (GAAP) tax rates and cash effective tax rates (ETRs) by spending on politics, especially when they give to think tanks or lobbyists that focus on tax policy. This is particularly impactful when trade group contributions focus their donations on political candidates who are members of the Senate Finance Committee or the House Ways and Means Committee.[5]

Also noteworthy is that, while the benefits are not as compelling, companies do not necessarily need to politically spend themselves; instead, they can benefit from lower taxes through spillover effects from trade group contributions.[6] What is important, however, is maintaining long-term spending in order to keep the same level of tax savings as they have enjoyed in the past.[5]

3. Firms Have a "Fundamental and Practical Stake in Democracy"

A thriving capitalist system relies on the strength of a healthy democracy. Businesses flourish in environments that are fair and predictable. For companies to prosper, they need clear, consistent application of the law, a level playing field, unbiased public oversight, and an intimidation-free political engagement.[7] As experts have long warned, the ongoing erosion of democratic norms and the rule of law poses risks to businesses.

Firms thus donate to candidates or causes that are theoretically aligned with achieving the above vision. However, companies' political spending—sometimes unknowingly—may not always fall in line with these goals.

> **"Donating to candidates can be crucial for creating the type of environment that companies need to be able to operate, grow, and thrive—and to protect themselves from the extreme pressures that they face today."**
>
> — Bruce F. Freed

CITIZENS UNITED: TRANSPARENCY CRUCIAL FOR PROTECTING COMPANIES FROM POLITICAL SPENDING RISKS

In a 2009 amicus brief filed in Citizens United v. Federal Election Commission, the Center for Political Accountability and the Carol and Lawrence Zicklin Center for Governance and Business Ethics argued that corporate political spending should be accompanied by robust transparency and disclosure.

"Corporations are coming to understand that members of the public demand greater transparency from companies that receive their investment and consumer dollars. Disclosure requirements cast light on the risks that secret political spending pose to our economy and our democracy, before they can become scandals that further erode the public trust."

— Amicus brief, February 2009[8]

REGULATION LANDSCAPE

1. Where Does the Law Fall on Political Spending Disclosures?

Public companies are not required to disclose large swaths of political spending, and most do not. A 2011 petition by a group of law professors urged the SEC to mandate such disclosure, sparking a record-breaking response of over 1.2 million comments—mostly in support, including from investors, lawmakers, and former SEC chairs. Despite early signs of SEC interest, political pressure led the agency to drop the issue from its agenda in 2014. Since 2016, congressional legislation has blocked the SEC from adopting related rules, and the agency has taken no further action.[9]

U.S. SUPREME COURT AFFIRMS POLITICAL SPENDING DISCLOSURE AS DETERRENT TO CORRUPTION

In a 2026 opinion, the U.S. Supreme Court reaffirmed a longstanding principle that transparency and disclosure serve an important public purpose.

"That transparency matters both factually and legally. Factually, as the Court has explained, disclosure can 'deter actual corruption and avoid the appearance of corruption by exposing large contributions and expenditures to the light of publicity.'"

— National Republican Senatorial Committee v. Federal Election Commission, 2026[10]

2. "Much Social Order Can Exist Without Law":[11] The Role of Private Ordering

While political prospects for legal reform are bleak, there are other forces at play. In reality, a patchwork of extra-legal factors and forces affects who gives, how much they give, and what impact their money has on democratic governance.[12]

Companies Are Listening to Investors

While the Citizens United v. FEC case brought about a large influx of money from corporations, most major businesses have declined to open their wallets, and many have even adopted formal policies that limit their electoral spending. Shareholder pressure, concern about customer backlash, and skepticism about money's effectiveness have kept these corporations on the sidelines.[12]

Many companies that choose to enter the donation arena are seizing on the need for transparency. A recent survey by Mason-Dixon Polling shows the vast majority of Americans support disclosure regulation.[13] In fact, data shows that nearly 90% of Americans agree that corporations should disclose to investors their use of corporate money on politics,[14] and an increasing number of firms are lifting the curtain.

> **"Corporate political transparency is evidence of successful self-regulation—private regulation that reduces risks from internal and external stakeholders and the specter of more formal social controls."**
>
> — William S. Laufer

In the 2025 CPA-Zicklin Index, which measures electoral spending transparency and accountability among America's largest companies, more than 20% of S&P 500 firms (112 companies) scored 90% or above on the accountability measures—a fourfold increase from the 28 companies that received scores of 90% or higher in 2015.[14]

Indeed, investors have shown that they require this information to decide whether, and how, to invest in American public companies. Research shows that disclosures improve after investors insist upon it at the ballot box, and that shareholder proposals on this issue target companies with weaker disclosures.[14]

As Laufer argues, "Wrestling with the morality and immorality of corporate political influence is the logical next step following full disclosure and transparency."

WHEN THE MONEY DOESN'T MATCH THE MESSAGING: THE DANGERS OF MISALIGNMENT

When companies decide to make political donations, they may attempt to donate to causes or candidates they believe reflect the core values of the company. Yet the reality is that once the money goes into a third-party group, firms lose all control of their donations. They end up supporting any and every endeavor of the recipient and its affiliattes[15]—which means that firms may donate to campaigns or causes misaligned with their stated values or the values of their stakeholders.

Such misalignment poses a very real threat to a firm's reputation. "One of the greatest dangers for a company in the age of social media is acting in ways that are inconsistent with its core values," warns Deloitte.[1]

Watchdogs and the media are asking tough questions of companies whose substantial contributions have enabled policies that seem contrary to their professed core values. Consider the following examples:

> **When giving to a third-party group, it is incumbent that a company know where its contribution ends up, what it associates the company with, and what it enables. This is an essential element of risk management and due diligence. Not knowing poses serious risks today."**
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> — Bruce F. Freed

- Google, Bank of America, and Coca-Cola were singled out for supporting climate action while also funding opposition to it.[1]
- U.S. companies pushed back against a North Carolina law restricting restroom access for transgender people. But many of the same companies helped make that law possible.[1]
- When two New Jersey-based companies that make contraceptives – and their trade association – gave millions of dollars to conservative political committees, a home-state newspaper challenged them for backing "opponents of [the] birth control they're selling."[1]

In the case of climate change, many public corporations recognize the threat of a warming planet and have implemented goals or policies to reduce their own emissions footprints. Well-known companies, including Walmart, Comcast, Coca-Cola, CVS Health, AT&T, Amazon, Pfizer, Uber, and Anthem, have implemented policies or set goals to reduce their emissions. However, these same corporations' treasury dollars have helped elect state attorneys general who have acted to prevent the reduction of emissions in nine separate court cases.[16]

The backlash companies face when such hypocrisies are brought to light is often swift and significant. Consumer boycotts, employee complaints, and widespread public criticism lead to long-term damage to the brand and diminished share prices.

DONATING CAREFULLY AND RESPONSIBLY: GUIDANCE FOR FIRMS ON ALIGNMENT

Given the risks companies face when corporate political donations go awry, there is a growing body of research detailing how companies can protect themselves and make contributions that truly reflect who they are. Companies must create an internal culture that resists the pressure and reinforces the company's commitment to ethical and accountable participation in our politics.[7]

In its Handbook on Corporate Political Activity, The Conference Board spells out fundamentals of decision-making about political participation: "Regardless of a company's level of involvement, the decision to participate in a political campaign or promote a political cause should be supported by a solid business rationale and aligned with the company's values and policies."[1]

> **It is not as simple as, 'When you spend, do so in ways that are aligned with espoused corporate values.' Firms must decide whether spending is consistent with their espoused values, even if it is in their best interests."**
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> — William S. Laufer

To that end, expenditures should be assessed based on the answers to the following three questions:

- "Can a strong case be made that the spending advances the corporation's key business objectives?"[1]
- "Does the spending threaten the company's reputation or expose it to unnecessary risks?"[1]
- "Regardless of legal risks, is this kind of spending ethical?"

1. The Role of the Board

Boards should play an active role in oversight by understanding potential risks and red flags, supporting policies that define acceptable types of spending and decision-making procedures, and requiring transparency. These policies should mandate regular reporting and ensure that third-party groups disclose how they intend to use any donations. Specific topics boards should consider include:

- Specifying what kinds of political spending the company will or will not engage in
- Outlining decision-making procedures that management is required to follow regarding political spending[17]
- Requiring disclosure of political spending[17]
- Providing for board oversight of political spending in semiannual or annual reviews[17]
- Requiring third-party groups to report to the board how they plan to use the company's money and to identify their other contributors[17]

2. CPA-Zicklin Framework for Corporate Political Spending

The nation's leading business research organization, The Conference Board, has recommended that companies consider the Framework for Corporate Political Spending, developed by the Center for Political Accountability in conjunction with the Carol and Lawrence Zicklin Center for Governance and Business Ethics. According to the Conference Board, the framework "offers best practices for responsible political spending and helps companies govern their political participation while adapting to a changing business, political and legal climate. It encourages transparency and accountability, and places corporate political spending in a broader societal context."[7]

CPA-Zicklin Framework for Corporate Political Spending

- Political spending shall reflect the company’s interests, as an entity, and not those of its individual officers, directors, and agents.
- In general, the company will follow a preferred policy of making its political contributions to a candidate directly.
- No contribution will be given in anticipation of, in recognition of, or in return for an official act or anything that has the appearance of a gratuity, bribe, trade or quid pro quo of any kind.
- Employees will not be reimbursed directly or through compensation increases for personal political contributions or expenses.
- The company will not pressure or coerce employees to make personal political expenditures.
- All corporate political expenditures must receive prior written approval from the appropriate corporate officer.
- The company will disclose publicly all direct contributions and expenditures with corporate funds on behalf of candidates, political parties, and political organizations.
- The company will disclose dues and other payments made to trade associations and contributions to other tax-exempt organizations that are or that it anticipates will be used for political expenditures. The disclosures shall describe the specific political activities undertaken.
- The board shall require a report from trade associations or other third-party groups receiving company money on how it is being used and the candidates whom the spending promotes.
- The board of directors or an independent committee of the board shall receive regular reports, establish and supervise policies and procedures, and assess the risks and impacts related to the company’s political spending.
- The company shall review the positions of the candidates or organizations to which it contributes to determine whether those positions conflict with the company’s core values and policies. This review should be considered by senior management and the full board of directors annually.
- The board of directors shall, independent of this review, consider the broader societal and economic harm and risks posed by the company’s political spending.

CONCLUSION

Political spending, especially by corporations, has surged since the Supreme Court's 2010 decision in Citizens United v. FEC, which allowed unlimited independent political expenditures by corporations and unions. Much of this money flows through hard-to-track third-party groups like 527s, trade associations, 501(c)(4) groups, and super PACs.

While companies may intend to support candidates or causes aligned with their values, the use of third parties often leads to a loss of control over the ultimate recipient—sometimes resulting in reputational risks if donations support misaligned causes.

Beyond reputational risks, the use of third parties exposes companies to the risk of corruption when administrative or legislative actions benefit a company following political contributions. The FirstEnergy scandal in Ohio involving "dark money" is a standout example. Recent media coverage has focused on companies' contributions to super PACs or "dark money" groups and on subsequent federal agency decisions and the awarding of government contracts.

To manage these risks, companies are encouraged to adopt and adhere to ethical, transparent political engagement practices, with active board oversight and clear internal policies to ensure accountability and alignment with core values.

> **"Corporate political spending has been a longstanding issue, with contributions playing a major role in reshaping both state and national politics. This money has significantly influenced policy and the political landscape as a whole."**
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> — Bruce F. Freed

THE SCHOLAR:
BRUCE F. FREED

Bruce F. Freed is president and co-founder of the Center for Political Accountability. Mr. Freed is widely respected as one of the leading figures in the money and politics space. He brings long experience in journalism and on Capitol Hill. Under his leadership, CPA produces the annual CPA-Zicklin Index, which benchmarks the S&P 500 companies on their political disclosure and accountability policies and practices, and TrackYourCompany.org, a searchable, sortable database on company political spending. He helped develop the Center's innovative strategy of using corporate governance to address the risks companies face from political spending. As a result of CPA's efforts, political disclosure and accountability are recognized as the norm.

THE SCHOLAR:
WILLIAM S. LAUFER

William S. Laufer is the Co-Director of the Carol and Lawrence Zicklin Center for Governance and Business Ethics and the Julian Aresty Endowed Professor of Legal Studies and Business Ethics at the Wharton School, where he is also Professor of Sociology and Criminology. Professor Laufer directed the Zicklin Center for more than twenty years, actively supporting research in business ethics at Wharton. His research interests include corporate political accountability, corporate criminal law, and corporate ethics. Professor Laufer's current work is on the morality of prediction markets. He joined Wharton in 1989 and previously served as an undergraduate, a graduate, and the department chair of Criminology in the School of Arts and Sciences.

ABOUT US

The Impact, Value, and Sustainable Business Initiative:

The Impact, Value, and Sustainable Business Initiative at the Wharton School (Wharton Impact) conducts evidence-based research on the gap between corporate and investors' impacts on natural, social, and human capitals and their financial valuations. Informed by this research, we offer 30+ courses that MBA and undergraduate students can assemble into a major and concentration, over a dozen co-curricular experiences, four Executive certificate programs, as well as speaker series, workshops, and events, and an expanding array of industry and policy convenings. We advance Wharton's best-in-class education of current and future leaders, equipping them with the tools, skills, and perspectives needed to navigate a more complex and interconnected world. For more information, visit https://impact.wharton.upenn.edu.

The Center for Political Accountability:

The Center for Political Accountability is a non-partisan, non-profit advocacy organization leading the only successful effort that is achieving corporate political disclosure and accountability. As a non-government organization (NGO), CPA works outside the political system. With prospects nil for legislative or regulatory fixes nationally, CPA has developed an innovative strategy that relies on risks management and enlists the cooperation of companies themselves by demonstrating the business value of spending transparency and accountability. Through private ordering, CPA's effort has resulted in a critical mass of companies adopting political disclosure and accountability policies and making them the norm. For more information, visit https://www.politicalaccountability.net.

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