Campaign Operations, Part 2: Campaign Fundraising

February 22, 2012

Tab #3

Objectives – Part 2

- Discuss Contributions with Tricky Reporting
  - Earmarked
  - Lobbyist Bundling
- Examine Volunteer Exemptions
- Identify Ways the Candidate May Support the Campaign
  - Personal Funds
  - Contributions v. Loans
  - Transfers

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Earmarked Contributions

Contributions to a candidate directed by the contributor through an intermediary, or conduit

- Contribution must be forwarded to campaign within 10 days of conduit's receipt.
- Conduit must provide campaign with contributor information for FEC report.

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I. Contributions with Tricky Reporting

A. Earmarked Contributions (*Guide*, Appendix A, pp. 123-126) – **11 CFR 110.6**

1. Definition

A contribution to a candidate that the contributor directs (either orally or in writing) though an intermediary or conduit.

2. Conduit/Intermediary

a) Anyone who receives and forwards an earmarked contribution to a candidate. This includes individuals, political committees, unregistered committees and partnerships.

b) Persons not considered conduits include:

(1) Corporations, unions and other prohibited sources;

(2) Employees or full time volunteers working for campaign committee;

(3) Individuals expressly authorized to raise money on behalf of the candidate;

(4) Committees affiliated with campaign committee; and

(5) Commercial fundraising firms retained by campaign committee.

3. Effect on Contribution Limits

a) An earmarked contribution counts against the contributor's limit for the recipient candidate.

b) Conduit limit is affected when the conduit exercises direction or control over the contributor's choice of recipient candidate.

4. Transmittal to Campaign

The conduit must forward an earmarked contribution to the recipient campaign committee within 10 days of receiving the contribution.

5. Reporting Tips: Information Needed by Campaign Committee
(*Guide*, pp. 125-126)

Campaign should receive transmittal report from conduit containing the contributor information needed to disclose on FEC report.

a) Identify the conduit by name and address (occupation and employer for individual conduit).

b) Report date of receipt and total amount of earmarked contributions received from the conduit.

c) Itemize original contribution from each individual whose total contributions aggregate over $200 per election cycle. Includes name, mailing address, occupation and employer, amount earmarked and the date the conduit received the contribution.

SCENARIO #3: ***Earmarked Contributions*** *(Guide, Appendix A, p. 125-126)*

The Kramer for Congress Committee and its treasurer, Mr. Newman, received a $1,150 check from the Kramerica Industries PAC on April 15, 2012, along with the following note:

Kramerica Industries PAC
129 W. 81st Street, Apt. 5B
New York, NY 10024

Dear Mr. Newman:

On April 13th, a couple of our Gold Star Members gave me $1,150 and asked that it be contributed to your campaign committee. These contributions were not solicited by our PAC. We are merely passing them along in the form of the enclosed PAC check.

Of the total amount, $1,000 should be attributed to Mickey Abbott – he is an Executive VP and resides at 440 Columbus Avenue, New York, NY 10024. The remaining $150 came from our other Executive VP, Joe Davola, of 400 Broome Street, also in NYC (Joe Davola has not previously made any contributions to Representative Kramer in this election cycle.)

Wishing you continued success in the primary season.

Frank Costanza
Treasurer, Kramerica PAC

1. **Does the committee disclose the receipt of an earmarked contribution as a PAC contribution or as a contribution from the individual? Or both?**

2. **How should the committee disclose the transaction(s)?**

3. **Key issues:**

SCENARIO #3 – ANSWERS:

1. **Does the committee disclose the receipt of an earmarked contribution as a PAC contribution or as a contribution from the individual? Or both?**
   Only as a contribution from the individual(s). In this scenario, Kramerica PAC is acting as a conduit. Since the decision to make the contribution to the candidate was independently made by the individual contributor, not under the direction or control of the PAC, it is treated as a contribution only from the individual(s), not affecting the conduit PAC's limits.

2. **How should the committee disclose the transaction(s)?**
   - **Report itemized contribution from individual** on Schedule A for Line 11(a)(i). The Date of Receipt is the date the conduit received the money from contributor; itemization should also include a notation in the Receipt This Period box indicating, "Earmarked through Kramerica PAC." The $150 contribution does not require itemization, but its value should be included in the total amount of unitemized contributions reported on Line 11(a)(ii).
   - **Report the receipt from conduit** on Schedule A for Line 11(a)(i) as a MEMO entry. The Date of Receipt is the date the campaign received the funds from the conduit; itemization should also include a notation in the Receipt This Period box indicating "Total earmarked through conduit, PAC limits not affected."

See Reporting Example on Next Page

Earmarked Contributions

SCHEDULE A (FEC Form 3)
ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one) X 11a | 11b | 11c | 11d | 12 | 13a | 13b | 14 | 15
PAGE OF

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full): Cosmo Kramer for Congress Committee

Both entries relate to a single receipt.

A.
Full Name (Last, First, Middle Initial): Mickey Abbott
Mailing Address: 440 Columbus Avenue
City: New York State: NY Zip Code: 10024
FEC ID number of contributing federal political committee: C
Name of Employer: Kramerica Industries
Occupation: Executive Assistant
Receipt For: X Primary General Other (specify)
Election Cycle-to-Date: 1,000.00
Date of Receipt: 04 13 2012
Amount of Each Receipt this Period: 1,000.00
Earmarked through Kramerica PAC

B.
Full Name (Last, First, Middle Initial): Kramerica Industries PAC
Mailing Address: 129 West 81st Street Apt. 5B
City: New York State: NY Zip Code: 10024
FEC ID number of contributing federal political committee: C 00342972
Name of Employer
Occupation
Receipt For: X Primary General Other (specify)
Election Cycle-to-Date: 1,150.00
Date of Receipt: 04 15 2012
Amount of Each Receipt this Period: 1,150.00
MEMO
Total earmarked through conduit
PAC limit not affected

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3. Key issues:

- The date of receipt may be different for the conduit and the contributor(s).
- Use MEMO entry if the amount of earmarked contributions passed on by the conduit exceeds $200 over the election cycle.
- The conduit's contribution limit is affected if the conduit exercises direction or control over the choice of candidate. Please note that if the conduit's limit is affected, the conduit must tell the campaign.

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Lobbyist Bundling

Generally, to be a bundled contribution, the intermediary between the contributor and recipient campaign must be a lobbyist, registrant or lobbyist registrant PAC

- Two Types of Bundled Contributions
  - Forwarded Contributions
  - Received AND Credited Contributions
- Exception for Lobbyist/Registrant/PAC's own contributions

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B. Disclosure of Contributions Bundled by Lobbyists/Registrants and Lobbyist/Registrant PACs (*Guide*, Appendix F, pp. 155-161)

Generally, to be a bundled contribution, the intermediary between the contributor and recipient campaign committee must be a lobbyist, registrant or lobbyist registrant PAC. 11 CFR 104.22

1. **Bundled Contributions: Forwarded Contribution**
   Contribution (monetary or in-kind) delivered or transmitted by physical or electronic means to campaign committee by lobbyist/registrant or lobbyist/registrant PAC or by any person the reporting committee knows to be acting on behalf of a lobbyist/registrant or lobbyist/registrant PAC. 11 CFR 104.22(a)(6)(i).
2. **Bundled Contributions: Received and Credited Contribution** (*Guide*, Appendix F, pp. 155-156)
   Contribution (monetary or in-kind) received by campaign committee from contributor and credited by campaign to a lobbyist/registrant or lobbyist/registrant PAC through records, designations, or other means of recognizing that money has been raised by the lobbyist/registrant or lobbyist/registrant PAC. 11 CFR 104.22(a)(6)(ii).

a) **Track or Give Credit for Contributions: Records – 11 CFR 104.22(a)(6)(ii)(A)**
Written evidence (i.e., computer files, databases) that the campaign attributes contributions received by campaign as raised by a lobbyist/registrant/PAC.

b) **Track or Give Credit for Contributions: Designations or Other Means of Recognizing.**
Benefits given by the campaign to persons for raising a certain amount of contributions including, but not limited to:
- **(1)** **Titles** assigned by the campaign;
- **(2)** **Tracking identifiers** assigned by the campaign for the purpose of maintaining information about the amount of contributions the person raises;
- **(3)** **Access** (includes offers or attendance) to campaign events or activities; and
- **(4)** **Mementos** given by the campaign (e.g. photos with the candidate or autographed copies of books authored by candidate).

3. What is NOT a "Bundled" Contribution (*Guide*, p. 156)
Personal funds contributions from lobbyists/registrants or spouses of individual lobbyists/registrants; and contributions made by lobbyist/registrant PAC from its own PAC funds.

4. Identifying Lobbyist/Registrant/Lobbyist Registrant PAC (*Guide*, pp. 156-157)

Lobbyist Bundling

Disclosure Rule

If a lobbyist/registrant or lobbyist/registrant PAC forwards or is credited with raising <u>two or more bundled contributions that total more than $16,700</u> during a covered period, the recipient campaign must report that on FEC Form 3L.

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5. **Disclosure of Lobbyist Bundling Activity** (*Guide*, p. 157)
   a) **2012 Disclosure Threshold = $16,700**
   Campaign committees that receive two or more bundled contributions from a lobbyist/registrant or lobbyist/registrant PAC aggregating in excess of $16,700 during a specific covered period are required to disclose activity on FEC Form 3L.

Lobbyist Bundling

Covered Periods

Semi-annual Periods:

- January 1 - June 30
- July 1 - December 31

AND

Quarterly Reporting Periods:

- Election Year (2012):
  calendar quarters ending 3/31, 6/30, 9/30 and 12/31 + applicable pre- and post-election reporting periods
- Non-Election Year (2013):
  calendar quarters ending 3/31, 6/30, 9/30 and 12/31 + applicable special election reporting periods

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b) Bundled Contributions Disclosed on Form 3L
(*Guide*, pp. 157-160)
Form 3L is filed simultaneously with Form 3. 11 CFR 104.22(a)(5)

(1) 2012 "Covered Periods"

(i) Semi-Annual

- January 1 - June 30 (Mid-Year Semi-Annual), and
- July 1 - December 31 (Year End Semi-Annual).

AND

Quarterly

- January 1 - March 31 (April Quarterly),
- April 1 - June 30 (July Quarterly),
- July 1 - September 30 (October Quarterly), and
- Year-End
  - October 1 - December 31 (if not participating in general election)
  - November 27 - December 31 (if participating in general election -- see below).

(ii) Pre-Election (if applicable)

- Primary: includes pre-primary reporting period
- General:
  - Pre-General: October 1 - October 17
  - Post-General: October 18 - November 26

(2) 2013 "Covered Periods"

(i) Semi-Annual

- January 1 - June 30 (Mid-Year Semi-Annual), and
- July 1 - December 31 (Year End Semi-Annual).

AND

Quarterly

- January 1 - March 31 (April Quarterly),
- April 1 - June 30 (July Quarterly),
- July 1 - September 30 (October Quarterly), and
- October 1 - December 31(Year End).

(ii) Pre-Election (if participating in special election)

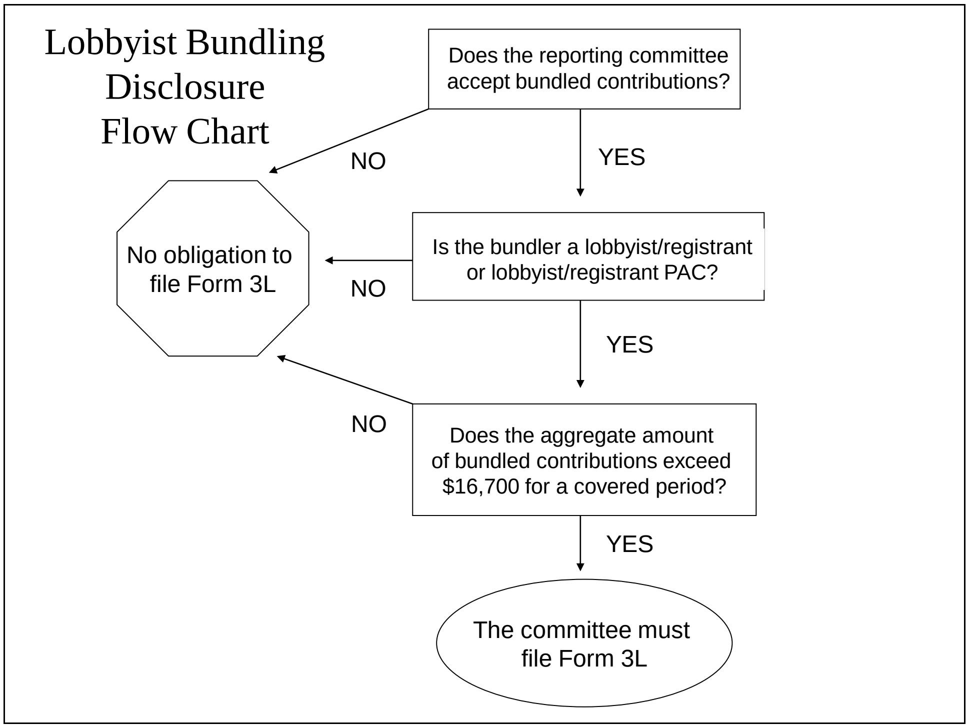
(3) FEC Form 3L

(i) Campaigns must also file a semi-annual report for any semi-annual period for which they filed a quarterly report.

(ii) Example. A campaign that filed an April Quarterly 3L Report but did not trigger the 3L filing requirement during the July Quarterly period would not be responsible for filing a July Quarterly 3L Report, but would be responsible for filing a Mid-Year Semi-Annual 3L Report to reflect its bundled contributions during the January 1 through June 30 covered period.

(iii) July Quarterly and Year End Reports can be filed as Quarterly/Semi-Annual Reports by checking the applicable box on the first page.

(4) Form 3L and Instructions:
http://www.fec.gov/pdf/forms/fecfrm3l.pdf and
http://www.fec.gov/pdf/forms/fecfrm3l.pdf



c) Has My Campaign Triggered Disclosure of Bundled Contributions?

To determine whether your campaign triggers disclosure under these rules, ask the following three questions:

(1) Does the campaign receive forwarded contributions or give credit to fundraisers for contributions they raise?

(2) Does the campaign receive contributions forwarded by, or give credit to, persons that qualify as lobbyists/registrants or lobbyist/registrant PACs?

(3) Does the amount forwarded by, or credited to, a lobbyist/registrant or lobbyist/registrant PAC exceed $16,700 during the covered period?

Volunteer Exemptions

- Volunteer Services
- Use of Personal Property
- Home/Church/Community Room Event
- Food/Beverage Vendor Discount
- Computer Services
- Free Legal and Accounting

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II. **Volunteer Exemptions** (*Guide*, pp. 39-41)

A. **Volunteer Services**

1. **Uncompensated Time**
   An individual may volunteer uncompensated personal services without contribution resulting. Volunteer activity is NOT reportable.
2. **Meals and Lodging**
   Campaign volunteers may spend unlimited amounts for their own meals and lodging without making a contribution, as long as the expenses are incidental to volunteer activity.

B. **Use of Personal Property**
Individual may provide use of his/her real or personal property without contribution resulting (e.g., home or computer).

C. **Home/Church/Community Room Event** (*Guide*, p. 40)

1. Individual may spend up to $1,000 per election for food, beverages and invitations for event held in residence, church or community room without contribution resulting.
2. Nominal fee paid to secure room exempt.

3. Community room must be:
    a) Used on regular basis by community for noncommercial reasons; and
    b) Available regardless of political affiliation.

D. Food/Beverage Vendors (*Guide*, p. 42)

1. May sell food and beverages to campaign at a discount
2. Applies whether or not vendor incorporated
3. Charge must at least equal actual cost to vendor
4. Discount may not exceed $1,000 per candidate, per election.

SCENARIO #4: Home Exemption (*Guide*, p. 40)
In-kind Contributions (*Guide*, pp. 94-95)
48-Hour Notices (*Guide*, pp. 81, 83)

As the September 11, 2012, primary election day approaches, Candidate Kramer makes a number of solicitation calls to his loyal contributors. In response to his call, David Puddy hosts a group of friends on Labor Day (September 3rd) to drum up support for Kramer's re-election campaign and to watch the Mets v. Cardinals game at David's Manhattan apartment. David paid $700 for ball park foods and refreshments and his friend, Tim Whatley (who lives around the corner at 715 West 79th Street, New York, NY 10024), paid the printer $1,300 to make the event invitations look like real game tickets.

Susan Ross, the treasurer for the NBC Studios PAC (address: 30 Rockefeller Plaza, New York, NY 10112), was on vacation at her father's cabin when Candidate Kramer called making his appeal. Feeling bad for missing his call, and in order to get the money to the campaign before the election, Ms. Ross takes a walk to the Kramer Campaign Office and hand-delivers a $5,000 check to Treasurer Newman on September 9, 2012.

1. **Are both of the transactions in connection with the home event reportable in-kind contributions? Why or why not?**

2. **How should the committee disclose the transaction(s)?**

3. **Do any of these receipts trigger last-minute disclosure (48-Hour Notices)? If so, how should the committee disclose the last-minute contribution?**

4. **How should the committee disclose the $5,000 check received on September 9th?**

5. **Key issues:**

SCENARIO #4 – ANSWERS:

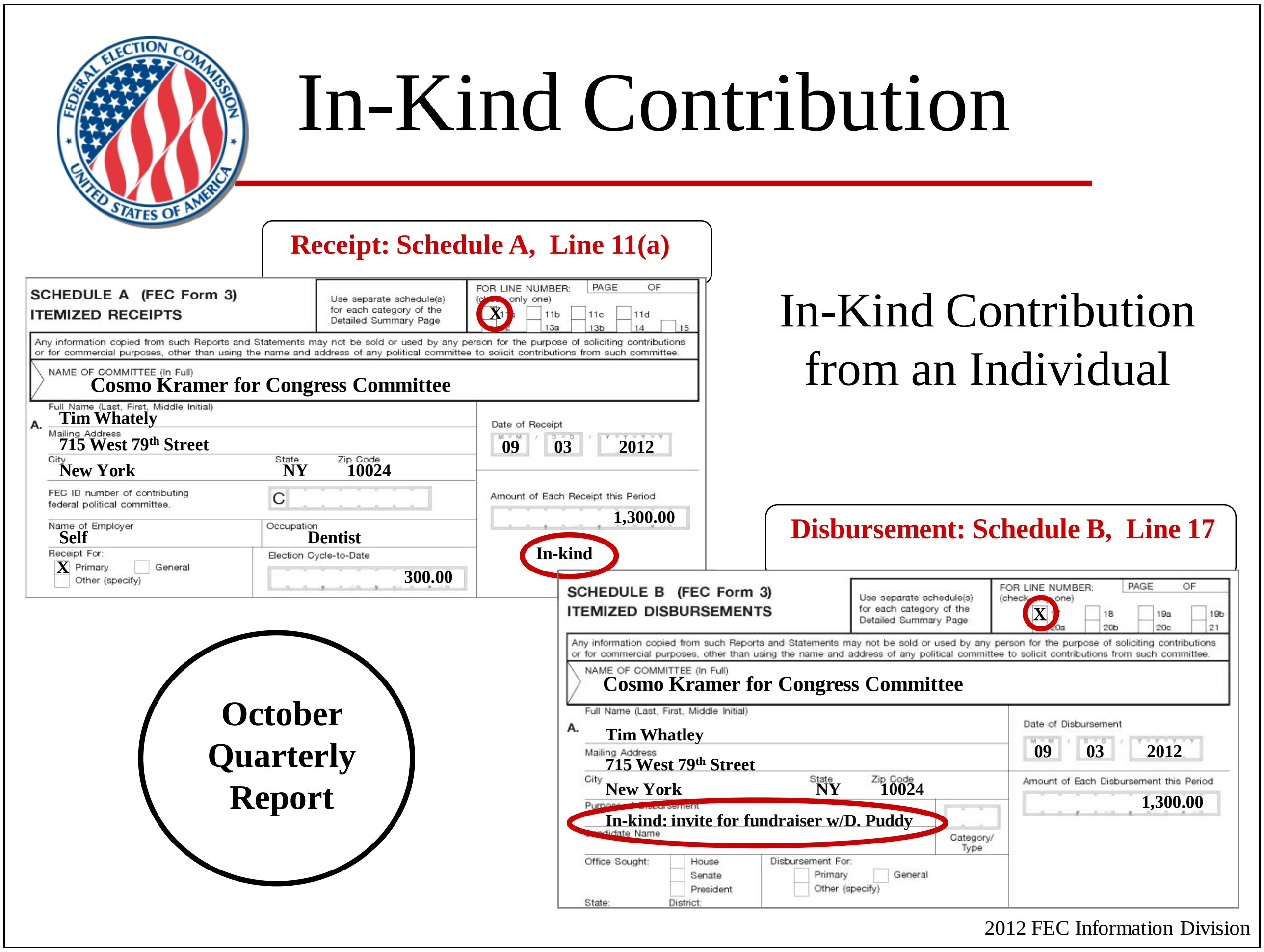
1. **Are both of these transactions reportable in-kind contributions? Why or why not?**
   In-kind contributions are donations of goods offered free, or at less than usual charge. David Puddy's expenses for the at-home fundraiser are not reportable as in-kind contributions because of an exemption in the law that permits an individual to spend up to $1,000 for food, beverages and invitations for an event held **in his or her residence**. Therefore, the $700 spent by David for refreshments is exempt.

   Tim Whately is co-hosting the home event, however, since it is being held at someone else's residence any expenses paid by Tim do not fit within the exemption and are considered contributions to the campaign benefitting from the event. See AO 1980-63. Therefore, Tim has made a $1,300 in-kind contribution to the Kramer for Congress Campaign.

2. **How should the committee disclose the transaction(s)?**
   Tim's in-kind contribution must be reported as a receipt and also a disbursement (as an operating expenditure) in order to avoid inflating the cash-on-hand.

   Report in-kind contribution: show reporting on Schedule A for Line 11(a)(i) and Schedule B for Line 17 (if itemized).

See Reporting Example on Next Page



3. Do any of these receipts trigger last-minute disclosure (48-Hour Notices)? If so, how should the committee disclose the last-minute contribution?

Campaign committees must file special notices regarding contributions of $1,000 or more received less than 20 days but more than 48 hours before 12:01am of the day of any election in which the candidate is running (whether or not the candidate has opposition in the election). The expedited disclosure requirements apply to all types of contributions received, including loans from the candidate, loans received (other than bank loans) and endorsements of bank loans.

In our scenario, Candidate Kramer is participating in the New York Primary being held on September 11, 2012. As such, the 48-Hour Notice period runs from August 23 through September 8, 2012. Therefore only the $1,300 in-kind contribution received on September 3rd triggers the 48-Hour Notice requirements and must be reported to the FEC by September 5, 2012.

Report last minute receipts on FEC Form 6 (48-Hour Notice of Contributions/Loans Received). Include notation indicating the receipt is an in-kind contribution.

See Reporting Example on Next Page

48-Hour Notices

FEC Form 6

48 HOUR NOTICE OF CONTRIBUTIONS/LOANS RECEIVED

(See Reverse Side for Instructions)

To be used to report all contributions (including loans) of $1000 or more, received within 20 days of the election.

1. NAME OF COMMITTEE IN FULL
Cosmo Kramer for Congress Committee

ADDRESS (number and street)
129 West 81st Street Apt. 5B

CITY, STATE, and ZIP CODE
New York, NY 10024

2. NAME OF CANDIDATE
Cosmo Kramer

3. OFFICE SOUGHT (State and District)
NY / 08

Includes Monetary and In-Kind Contributions

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes other than using the name and address of any political committee to solicit contributions from such committee.

4. FEC IDENTIFICATION NUMBER
C00320000

A. Full Name, Mailing Address and ZIP Code	Name of Employer / Occupation	Date (month, day, year)	Amount
Tim Whatley **715 West 79th Street** **New York, NY 10024**	**Self** Occupation: **Dentist**	**9/03/12**	**$1,300.00** **(in-kind; (fundraiser invitations)**

SIGNATURE (optional)
Mr. Newman

DATE
9/05/12

For further information contact:
Federal Election Commission
999 E Street, NW, Washington, DC 20463
Toll Free 800-424-9530, Local 202-694-1100

FEC FORM 6

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Note that a last-minute contribution must also be itemized on the committee's next scheduled report (the October Quarterly Report – see above), as an in-kind contribution, this receipt will be disclosed on both Schedule A and Schedule B.

4. **How should the committee disclose the $5,000 check received on September 9th?**
48-Hour Notice is NOT required. Though the contribution is over $1,000, it was received outside the 48-Hour Notice period of August 23rd through September 8th. Contributions received outside of that time period do not require expedited disclosure. The receipt will be reported on the campaign committee's next scheduled report, the October Quarterly Report.

5. Key issues:

- Remember to report in-kind contributions as a receipt and a disbursement (Schedules A & B).
- On both Schedule A (Date of Receipt box) and Schedule B (Purpose of Disbursement box), include notation indicating the contribution is "in-kind."
- In-home exemption is $1,000 per candidate, per individual when holding a campaign-related activity in their own home. Not reportable.
- If an individual co-hosts an event in someone else's home, the exemption does not apply and the expenses paid by the nonresident co-host are considered reportable contributions.

Volunteer Exemptions

Computer Services

Volunteers may do the following without making a contribution to a candidate:

✓Spend unlimited amount of their own time e-mailing and doing web activities (work time is limited)

✓Use personal computer on an unlimited basis (use of work computer is limited)

✓Pay Internet service provider fees

✓Pay domain name registration fees

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E. Computer Services (*Guide*, p. 39-41)

1. Permissible Uses

Individuals may use a computer for a wide variety of activities in connection with federal elections, including:

a) Sending or forwarding unlimited e-mails on any political topic. Additionally, individuals do not have to identify themselves or state whether the messages have been authorized by any party or campaign committee.

b) Creating, maintaining or hosting a web site.

c) Providing a hyperlink to a web site.

d) Posting comments to a blog, so long as they receive no compensation or, at most, a nominal fee. (Blogging also falls within certain exemptions for media activity.)

e) Using a work computer for online political activity. This, however, is subject to an employer's rules for the personal use of computers and Internet access, and the employee must not be compensated for the activity. 11 CFR 100.94(b) and 100.155(b).

2. Not Exhaustive

This list of permissible activities is not exhaustive and additional activities may be possible.

3. Interaction with Campaigns/Parties

The contribution and expenditure exemptions apply regardless of whether individuals act with the knowledge or consent of a campaign or a political party committee.

Volunteer Exemptions

Legal & Accounting Services

- Exemption allowing any entity to provide **free** legal & accounting services to a campaign as long as comply with the limitations.
  - Includes corporations, committees, unions, and partnerships.
- An individual personally volunteering legal or accounting services without compensation does not fit into this exemption.

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F. **Free Legal and Accounting Services** (*Guide*, pp. 39)

1. Exemption

Any entity (e.g. committee, corporation, union, partnership) may provide the campaign free legal and accounting services as long as:

a) Services are provided only for the purpose of helping the campaign comply with the Act;

b) Entity paying for the service is the regular employer of the individual performing the service;

c) Employer does not hire additional employees to free regular employees to perform the service; and

d) **Campaign reports:** value of the service (amount paid by the employer); the name of each person who performed the service; and the date the service was provided. See example in *Guide*, p. 94.

2. Use of Equipment

a) Exemption only covers the services provided to ensure compliance with the Act.

b) Employer cannot donate equipment (i.e., computers) without making a contribution.

c) Use of employer's resources necessary to enable the employee to provide the service is not considered a contribution by the employer.

3. Not Volunteer Services

If an individual personally volunteers legal or accounting services without compensation, the work is considered personal volunteer activity and the above restrictions do not apply. Not reportable.

Candidate Support

- Unlimited Personal Funds
- ½ of Jointly Held Assets
- Contributions vs. Loans
  - Both unlimited from candidate's personal funds; but
  - Amounts disclosed as loans can be repaid; amounts disclosed as contributions cannot.

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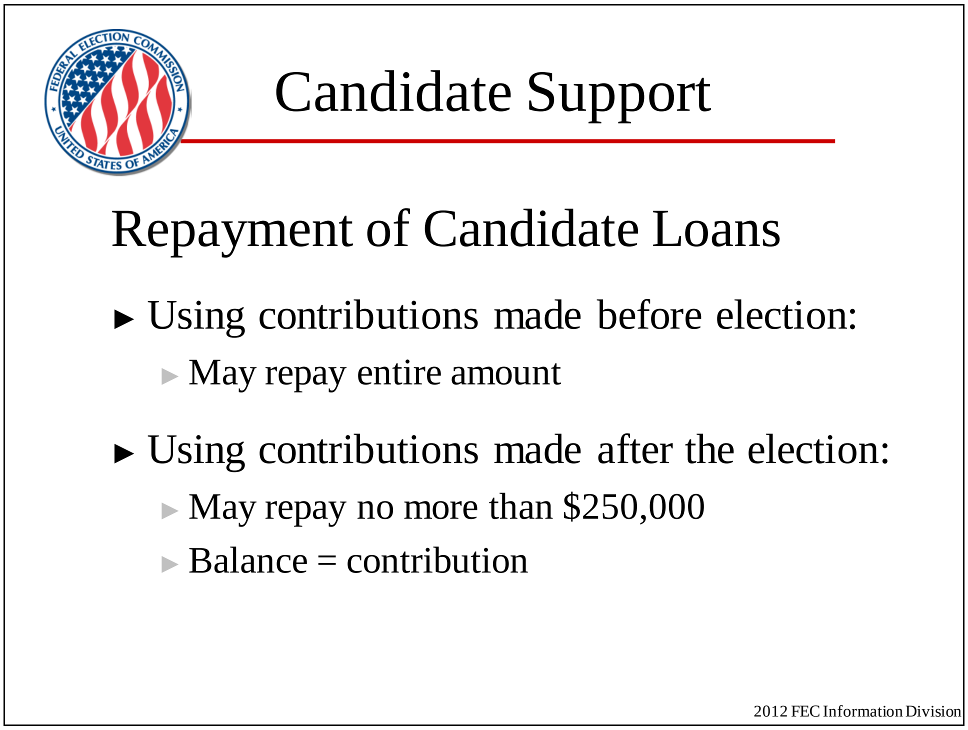
III. Support From The Candidate

A. Personal Funds (*Guide*, pp. 15, 29-30)

1. **Unlimited**
   Candidate may spend unlimited personal funds on his/her campaign.
2. **Definition**
   Assets that the candidate had legal right of access to, or control over, or equitable interest in, prior to candidacy, including:
   a) Salary.
   b) Other earned income. See AO 2006-13.
   c) Dividends from stock.
   d) Sale of stock or investments.
   e) Income from trusts established before candidacy.
   f) Bequests to candidate (even after candidacy).
   g) Winnings from lotteries or games of chance.
   h) Gifts of cash or other assets, but **only if** customarily received prior to candidacy.
3. **Application to Spouse** (*Guide*, pp. 14-15; 17)
   a) **Limit: $2,500/election** (indexed) – same as other individuals.
   b) Candidate may use a portion of assets (normally 50%) jointly owned with his or her spouse, without contribution from spouse resulting.



B. Loans from the Candidate (*Guide*, pp. 14-15, 30; 36; 91-92; 105-106)

1. **Loan = Contribution**
   Considered a contribution; as such, has no limit. However, amount disclosed as loan can be repaid, contributions can not. See AO 2008-09.
2. **Source of Loan Funds**
   a) Candidate's own personal funds.
   b) Candidate uses funds obtained through a personal loan from a lending institution, funds derived from an advance on their brokerage account, credit card or other line of credit.
3. **Repayment of Personal Loans from Candidate** (*Guide*, pp. 30; 51)
   a) For personal loans from the candidate (including advances or candidate-endorsed bank loans) to his or her authorized committee that aggregate more than $250,000, the following rules apply:
      (1) Campaign committee may use contributions to repay the candidate for the entire amount of the loan or loans only if those contributions were made on or before the day of the election; and
      (2) Committee may use contributions to repay the candidate only up to $250,000 from contributions made after the date of the election.

(3) If committee uses the amount of cash-on-hand as of the date of the election to repay the candidate for loans in excess of $250,000, then it must:

(a) Do so within 20 days of the election; and

(b) Treat the portion of candidate loans that exceed $250,000, minus the amount of cash-on-hand as of the day after the election as a contribution by the candidate.

b) See AOs 2008-22 and 2008-09 (still in effect even though Millionaires' Amendment is not).

Candidate Support: Transfers

✘ Nonfederal Campaign to PCC – prohibited

✓ From Prior Federal Campaign in Different Cycle
- Unlimited
- No aggregation of contributor limits

✓ From Candidate's Campaign for Different Office
- In the Same/Overlapping Election Cycle
  - Must set up separate committee
  - No transfers while actively seeking more than one office
  - Aggregation of contributor limits
- In different cycles – unlimited; no aggregation

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C. Transfers from Candidate's Other Campaigns for Different Offices
(*Guide*, Chapter 9, pp. 59-61)

1. **From Candidate's State or Local Campaign – 11 CFR 110.3(d)**
Prohibited.
2. **From Candidate's Prior Federal Campaign in Different Cycle – 11 CFR 110.3(c)(4)**
Unlimited, without aggregation of contributor limits. See AOs 1996-52 and 1980-30.
3. **From Candidate's Federal Campaign for Different Office in Same or Overlapping Cycle – 11 CFR 110.3(c)(5)**
   a) Prohibited while actively seeking more than one office.
   b) When no longer actively seeking two offices, permitted, but contributor limits are aggregated.
   c) See AOs 1984-38, 1982-01 and 1978-19.
4. **Separate Accounts and Organizations Required.**
Required for each campaign for different office.

SCENARIO #5 – Candidate Loans *(Guide, pp. 91-92, 103-107)*

On January 23, 2012, Candidate Cosmo Kramer generously dips into his "rainy-day" savings account and contributes $10,000 to his campaign committee to give the initial push for his primary re-election campaign. He indicates, however, that once money from other contributors comes in, he wishes to be paid back in full, no matter how long it may take, and will not charge the committee any interest.

Concerned about the lack of money coming into the campaign, on June 1, 2012, Candidate Kramer decides to loan the campaign an additional $50,000 – this time the funds were derived from a loan he took out from Chemical Bank. The bank charges the candidate 12.5% interest on the loan. However, the candidate decides not to charge as much interest to the committee and loans the money to the campaign at an interest rate of 9.5%.

After visiting their son, George who is friends with Congressman Kramer, Frank and Estelle Costanza stop by and contribute $2,500 each towards Candidate Kramer's primary. With a new confidence in their fundraising plan in the coming months, the campaign repays Candidate Kramer $4,000 of his bank loan on August 10, 2012. (Note: payment consists of $3,650 principal payment and $350 interest payment).

1. **How should the committee disclose the transaction(s)?**

2. **Are the reporting requirements any different for Candidate Kramer's $50,000 loan to the committee derived from a loan he took out from Chemical Bank?**

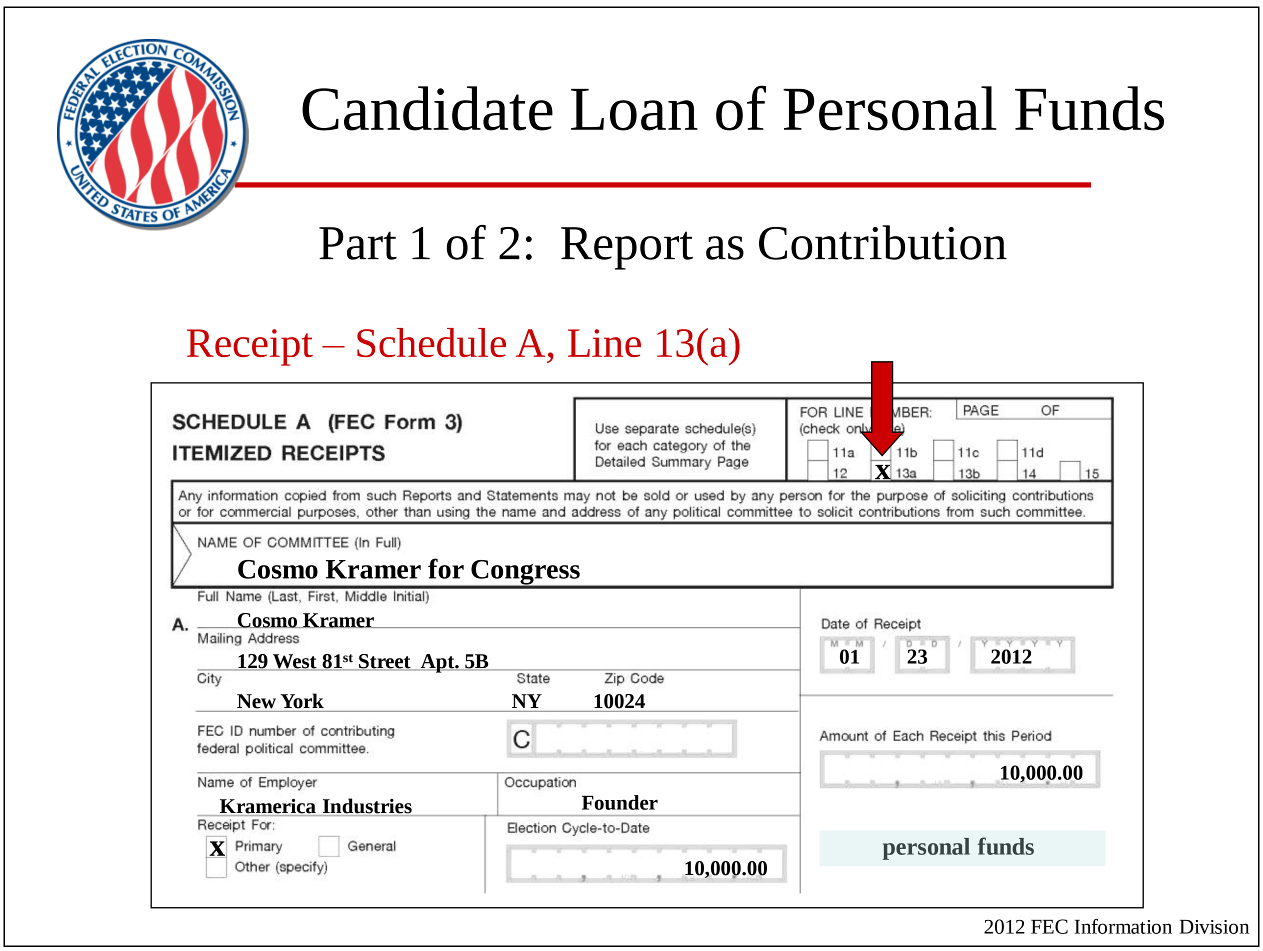
3. **How is the committee's loan repayment to the candidate disclosed?**

4. **Key issues:**

SCENARIO #5 – ANSWERS:

1. **How should the committee disclose the transaction(s)?**
   - **Report the loan as a contribution** on Schedule A for Line 13(a). The Date of Receipt is the date the money is received by the campaign committee; itemization should include notation in Receipt This Period box indicating "personal funds."

   - **Review: How to Itemize.** Include following information for contribution source.
     - Name and mailing address;
     - Occupation and employer (individuals only);
     - FEC ID number (political committees only);
     - Election to which contribution/loan was designated;
     - Date of receipt;
     - Amount of receipt; and
     - Aggregate election-cycle-to-date total for all receipts from same source.



- **Report terms of the loan** on Schedule C for Line 13(a). The Loan Source is the candidate. Itemization should also include notation indicating "personal funds." Note that the committee will continuously report the loan on Schedule C until loan is fully repaid.

Candidate Loan of Personal Funds

Part 2 of 2: Report as Loan

Loan Reporting – Schedule C, Line 13a

SCHEDULE C (FEC Form 3)
LOANS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE OF

FOR LINE NUMBER: (check only one) X 13a ☐ 13b

NAME OF COMMITTEE (In Full)
Cosmo Kramer for Congress Committee

LOAN SOURCE Full Name (Last, First, Middle Initial)
Cosmo Kramer - personal funds

Election: X Primary ☐ General ☐ Other (specify)

Mailing Address
129 West 81st Street Apt. 5B

City **New York** State **NY** ZIP Code **10024**

Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
10,000.00	0.00	10,000.00

TERMS

Date Incurred	Date Due	Interest Rate	Secured:
01 / 23 / 2012	None	None % (apr)	☐ Yes X No

2012 FEC Information Division

2. **Are the reporting requirements any different for Candidate Kramer's $50,000 loan to the committee derived from a loan he took out from Chemical Bank?**
Yes. In addition to the disclosures on Schedules A & C (as noted above), the campaign committee must also submit Schedule C-1 to disclose the loan agreement between the lending institution and the candidate. Schedule C-1 also includes description/value of collateral used (if any), and requires the signature of an approving official from the bank.

See Reporting Example on Next Page

Candidate Loan from Bank

Part 1 of 3: Report as Contribution

Receipt - Schedule A, Line 13(a)

SCHEDULE A (FEC Form 3)
ITEMIZED RECEIPTS

Use separate schedule(s) for each category of the Detailed Summary Page

FOR LINE NUMBER: (check only one)
[ ] 11a [ ] 11b [ ] 11c [ ] 11d
[ ] 12 [X] 13a [ ] 13b [ ] 14 [ ] 15

PAGE OF

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)
Cosmo Kramer for Congress Committee

A. Full Name (Last, First, Middle Initial)
Cosmo Kramer

Mailing Address
129 West 81st Street Apt. 5B

City: **New York** State: **NY** Zip Code: **10024**

FEC ID number of contributing federal political committee. C

Name of Employer: **Kramerica Industries**
Occupation: **Founder**

Receipt For:
[X] Primary [ ] General
[ ] Other (specify)

Election Cycle-to-Date: **60,000.00**

Date of Receipt: M M / D D / Y Y Y Y **06 / 01 / 2012**

Amount of Each Receipt this Period: **50,000.00**

Loan from Bank

2012 FEC Information Division

Note that terms disclosed on Schedules C and C-1 may differ.

(1) Candidate may use different terms than the bank (including no repayment conditions).
(2) Lending institution must have terms offered in the normal course of business.

Candidate Loan from Bank

Part 2 of 3: Report as Loan

Loan Reporting – Schedule C, Line 13(a)

SCHEDULE C (FEC Form 3)
LOANS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE OF

FOR LINE NUMBER: (check only one) [X] 13a [ ] 13b

NAME OF COMMITTEE (In Full)
Cosmo Kramer for Congress Committee

LOAN SOURCE Full Name (Last, First, Middle Initial)
Cosmo Kramer (Loan from Bank)

Mailing Address **129 West 81st Street Apt. 5B**

City **New York** State **NY** ZIP Code **10024**

Election: [X] Primary [ ] General [ ] Other (specify)

Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
50,000.00	0.00	50,000.00

TERMS

Date Incurred	Date Due	Interest Rate	Secured:
06 / 01 / 2012	01 / 31 / 2014	9.5 % (apr)	[X] Yes [ ] No

2012 FEC Information Division

See Reporting Example Continued on Next Page

Candidate Loan from Bank

SCHEDULE C-1 (FEC Form 3)
LOANS AND LINES OF CREDIT FROM LENDING INSTITUTIONS
Federal Election Commission, Washington, D.C. 20463

Supplementary for Information found on Page ____ of Schedule C

NAME OF COMMITTEE (In Full): **Cosmo Kramer for Congress Committee**

FEC IDENTIFICATION NUMBER: C **00320000**

LENDING INSTITUTION (LENDER)
Full Name: **Chemical Bank**

Amount of Loan: **50,000.00**

Interest Rate (APR): **12.5** %

Mailing Address: **120 West 81st Street**

City: **New York** State: **NY** Zip Code: **10024**

Date Incurred or Established: **06** / **01** / **2012**

Date Due: **01** / **31** / **2014**

A. Has loan been restructured? [X] No [ ] Yes If yes, date originally incurred

B. If line of credit, Amount of this Draw: Total Outstanding Balance:

C. Are other parties secondarily liable for the debt incurred?
[X] No [ ] Yes (Endorsers and guarantors must be reported on Schedule C.)

D. Are any of the following pledged as collateral for the loan: real estate, personal property, goods, negotiable instruments, certificates of deposit, chattel papers, stocks, accounts receivable, cash on deposit, or other similar traditional collateral?
[ ] No [X] Yes If yes, specify: **Real estate**

What is the value of this collateral? **250,000.00**

Does the lender have a perfected security interest in it? [ ] No [X] Yes

E. Are any future contributions or future receipts of interest income, pledged as collateral for the loan? [X] No [ ] Yes If yes, specify:

What is the estimated value? **0.00**

A depository account must be established pursuant to 11 CFR 100.82(e)(2) and 100.142(e)(2).

Date account established:

Location of account:
Address:
City, State, Zip:

F. If neither of the types of collateral described above was pledged for this loan, or if the amount pledged does not equal or exceed the loan amount, state the basis upon which this loan was made and the basis on which it assures repayment.

G. COMMITTEE TREASURER
Typed Name: **Mr. Newman**
Signature

DATE: **06** / **01** / **2012**

Part 3 of 3:
Schedule C-1
Loan Agreement
- Bank &
Candidate

)12 FEC Information Division

3. How is the committee's loan repayment to the candidate disclosed?
If payment is applied to the principal AND interest balances, the committee may use one check, but must break out each part and disclose them separately. Payment towards the principal balance is shown as a loan repayment, and payments toward interest are reported as operating expenditures.

- **Report principal repayment** on Schedule C for Line 13(a). Note that principal repayments must be continuously reported on Schedule C for each reporting period the loan has an outstanding balance.

Candidate Loan from Bank

Part 1 of 2: Report Payment on Schedule C

Loan Reporting – Schedule C, Line 13(a)

SCHEDULE C (FEC Form 3)
LOANS

Use separate schedule(s) for each category of the Detailed Summary Page

PAGE OF

FOR LINE NUMBER: (check only one) [X] 13a [ ] 13b

NAME OF COMMITTEE (In Full)
Cosmo Kramer for Congress Committee

LOAN SOURCE Full Name (Last, First, Middle Initial)
Cosmo Kramer (Loan from Bank)

Election: [X] Primary [ ] General [ ] Other (specify)

Mailing Address
129 West 81st Street Apt. 5B

City New York State NY ZIP Code 10024

Original Amount of Loan	Cumulative Payment To Date	Balance Outstanding at Close of This Period
50,000.00	3,650.00	46,350.00

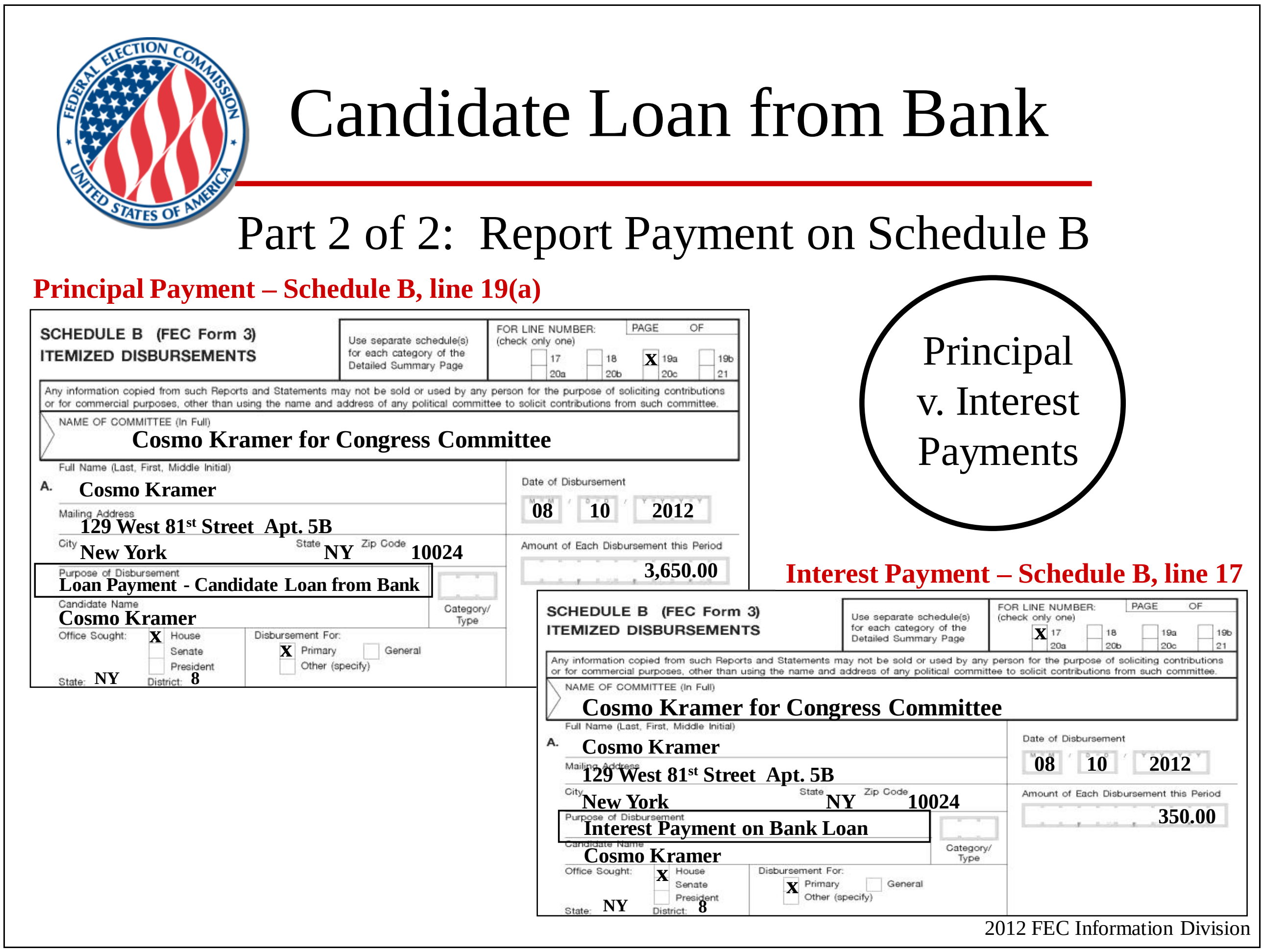
TERMS

Date Incurred	Date Due	Interest Rate	Secured
06 / 01 / 2012	01 / 31 / 2014	9.5 % (apr)	[X] Yes [ ] No

2012 FEC Information Division

- **Report principal payment** on Schedule B for Line 19(a); itemization should include notation in Purpose of Disbursement box indicating, "candidate loan repayment – personal funds."

- **Report interest payment** on Schedule B for Line 17; itemization should include a notation in Purpose of Disbursement box indicating, "interest payment on candidate loan."



4. **Key issues:**
   - If the candidate wishes to be paid back, be sure to report the receipt as a loan on the *first report* disclosing the receipt.

   - **Tips for a Personal Funds Loan**
     - Use both Schedules A for Line 13(a) and Schedule C for Line 13(a).
     - Don’t forget loan terms. Terms of a loan from the candidate’s personal funds (no lending institution involved) may be more flexible. If there is no interest or due date, don’t leave boxes blank, enter “none” or “n/a.”
     - Include notations on both Schedules A & C indicating “personal funds.”
     - When the candidate forgives a loan, the committee should file <u>a letter signed by the candidate</u> stating that the loan is forgiven – for both paper and electronic filers.

   - **Tips for a Candidate Loan from Lending Institution**
     - When the candidate obtains a loan from the bank and then loans those funds to the campaign, report using Schedule A for Line 13(a), Schedule C for Line 13(a), and Schedule C-1.
     - Don’t forget to include loan terms. Often terms on C-1 and C will differ. The candidate is able to use different terms than the bank (including no repayment conditions). The bank must have terms offered in the normal course of business.
     - Remember to include notations – i.e., “home equity line of credit.”
     - Candidate may charge the campaign an interest rate on a loan derived from a bank that is different from what the bank charges the candidate.
     - When disclosing repayment on this type of loan, principal campaign committee (PCC) may issue repayment to candidate or to the bank. Reflect payment on Schedules B and C. On Schedule B, break out payments towards principal and interest separately – disclosed on different line numbers: Line 19(a) for principal payments and Line 17 for interest payments.
     - Loans made by a lending institution directly to the committee should be reported on Schedules A and C for Line 13(b) and Schedule C-1. Repayments on these loans should be reported on Schedule B for Line 19(b) for principal payments and Schedule B for Line 17 for interest payments, as well as reflected on Schedule C.

Workshop Evaluation

Help Us Help You!

Please complete an evaluation of this workshop.

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Tomorrow Morning

"Breakfast with the IRS"
and
"Campaign Operations, Part 3"

8:00 AM

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