
CHAPTER 14

Winding Down the Campaign

This chapter explains the requirements for an authorized committee that wishes to close down its operations at the end of a campaign.¹

I. Terminating the Committee

Eligibility

A committee may file a termination report at any time, provided that:

- The committee no longer intends to receive contributions, make expenditures or make any disbursements that would otherwise qualify it as a political committee; and
- Neither the committee seeking to terminate nor any other authorized committee of the same candidate has any outstanding debts or obligations.

102.3 and 116.1. Campaigns with debts or obligations should see “Retiring Debts” and “Settling Debts,” below.

A committee involved in an FEC enforcement action, an FEC audit or litigation with the FEC, however, must continue to file regularly scheduled reports until the matter is resolved.

Termination Report

When filing the committee’s termination report, the treasurer must check the “Termination Report” box on Line 4 of the Summary Page of Form 3. The termination report must disclose:

- All receipts and disbursements not previously reported, including an accounting

¹ If a candidate wishes to use the committee for a subsequent federal campaign, he or she may redesignate it as an authorized committee using FEC Form 2. See Chapter 2, “Candidate and Committee Registration,” for more information.

of debt retirement (See “Retiring Debts” and “Settling Debts” below); and

- The purposes for which any remaining committee funds or assets will be used. (See Chapter 8, “Expenditures and Other Uses of Campaign Funds;” see also “Winding Down Costs” and “Sale of Campaign Assets,” below.) 102.3(a).

Committee No Longer Required to Report Once Notified

The committee’s reporting obligation ends only when the Commission notifies the committee in writing that the termination report has been accepted. Until the committee receives this notification, it must continue to file reports.

Administrative Termination

The FEC, upon its own initiative or at the request of a political committee, may administratively terminate a committee’s reporting status. For details on administrative termination, consult section 102.4 of the regulations.

2. Conversion to Multicandidate Committee

In past advisory opinions, the Commission has explicitly permitted a principal campaign committee to become a multicandidate committee as an alternative to the committee’s termination. In meeting the requirements for multicandidate status, a former principal campaign committee may avail itself of the length of time of its prior registration, the number of contributions it has made in the past and the number of contributions it has received. Note that the prohibition on converting campaign funds to personal use still applies to such a committee. See AOs 2004-03,

1988-41 and 1985-30 and the Campaign Guide for Nonconnected Committees for more information.

3. Winding Down Costs

Campaign funds may be used to pay ordinary and necessary expenses incurred in connection with one's duties as a federal officeholder. Such expenses include the costs of winding down the office of a former federal officeholder for a period of six months after he or she leaves office. 113.2(a)(2).

Winding down costs include:

- **Moving Expenses.** A retiring federal officeholder may use campaign funds to pay for the expenses of moving office and personal furnishings from the Congressional office in Washington, D.C., back to the officeholder's home state. While the costs of transporting an officeholder's personal household effects and furnishings from Washington, D.C., to the officeholder's home state are not "winding down costs," such costs are "ordinary and necessary expenses" incurred in connection with ending his or her duties as a federal officeholder. AO 1996-14. See also AO 1996-44. All such moving expenses should be reported as "other disbursements" by the officeholder's committee, with specific payee(s) and purpose noted. 104.3(b)(2)(vi) and (b)(4)(vi).
- **Payments to Committee Staff.** See AOs 1976-90 and 1978-43.
- **Gifts.** Campaign funds may be used to purchase gifts or make donations of nominal value to persons other than the members of the candidate's family. 113.1(g)(4).

See also AO 2008-04.

- Other permissible uses of excess campaign funds include:
 - Donations to charitable organizations defined in 26 U.S.C. §170(c). 113.2(b);
 - Unlimited transfers to any national, state or local political party committee. 113.2(c);
 - Donations to state and local candidates, pursuant to state law. 113.2(d); and

- Any other lawful purpose, unless such use is personal use under 113.1(g). (See Chapter 8, Section 2, "Personal Use of Campaign Funds.") 113.2(e).

4. Sale of Campaign Assets

Purchaser Makes Contribution

Generally, when a campaign sells its property, the purchase is considered a contribution to the campaign by the purchaser. The payment, therefore, must not come from prohibited sources and must not exceed the contribution limits.

Sale of Campaign Materials

The sale of fundraising items or materials developed uniquely for the committee (such as artwork, publications and opinion polls²) results in contributions from the purchasers. 100.53. See also, for example, AOs 1982-24 and 1980-19. (However, note the exception for mailing lists, below.)

Commercial Ventures

The Commission has determined that when a committee asset is sold or used for an ongoing commercial venture to produce revenue for a committee, the proceeds are considered contributions to the committee. See AOs 1991-34 and 1983-02.

Purchaser Does Not Make Contribution

Under limited circumstances, however, the sale of a campaign asset does not result in a contribution.

Mailing Lists

Mailing lists developed by a campaign for its own use may be sold at the "usual and normal" charge without the purchaser making a contribution. See, for example, AOs 2002-14, 1982-41 and 1981-53.

Liquidation of Equipment and Supplies

The Commission has said that the sale of campaign equipment and supplies does not result in a contribution under certain conditions. AOs 2003-19 and 1986-14.

2 For more information on opinion polls, see Commission regulations at 106.4.

5. Retiring Debts

Through Contributions

When raising contributions to retire debts after the election is over, a campaign must remember three general rules:³

- First, the contributions are still subject to the limits and prohibitions of the *Federal Election Campaign Act* (the Act), even if the candidate lost the election and does not plan to run for future federal office.
- Second, contributions made after an election to retire debts must, in most cases, be specifically designated for that election by the contributor. See “Designated and Undesignated Contributions,” Chapter 4, Section 4.
- Finally, contributions designated for, but made after, a particular election may not exceed the campaign’s net debts outstanding, as explained in Chapter 4.

110.1(b)(3)(i).⁴

Through Sale of Assets

A campaign may sell its assets to raise funds to retire debts. Please note that the sale or use of assets to retire debts may result in contributions from the purchasers, as explained in Section 4, above.

Through Transfers

A campaign may receive funds to retire debts through transfers of excess funds from the same candidate’s federal campaign for a different election cycle, as long as the transferor commit-

3 A campaign may raise funds to retire debts through joint fundraising. See Appendix C.

4 The Commission has ruled that a federal officeholder may solicit, receive and expend both federally permissible funds, as well as funds that do not comply with the Act, in order to retire existing debt incurred by a previous nonfederal campaign, so long as the fundraising is solely in connection with the nonfederal campaign, refers only to the candidate or to other candidates for that same nonfederal office and is permitted under state law. AO 2007-01. See also AO 2009-06.

tee has no outstanding debts. 116.2(c)(2). See Chapter 9, “Transfers.” See also AO 1997-10.

Salary Owed to Campaign Staff

Unpaid salary or wages owed to campaign employees are not considered contributions from those employees. Uncompensated services rendered by an employee may be converted to volunteer work, or the amount owed may be treated as a debt, as explained below. 116.6(a). Note, however, that FEC rules do not require an employee to accept less than full payment for his or her services. 116.6(b).

Treatment as Volunteer Service

Uncompensated employee service may be considered volunteer service if the employee signs a statement agreeing to the arrangement. 116.6(a). (Services performed by volunteers are exempt from limits and reporting requirements. See Chapter 7.)

Treatment as Debt

Alternatively, the committee may treat the unpaid amount of salary as a debt to the employee (see Chapter 13 for reporting information). The committee and the employee may settle the debt for less than the amount owed, using the procedures described in the next section. 116.6(b).

6. Settling Debts

Eligibility for Debt Settlement

Only a terminating committee may settle a debt for less than the full amount owed to the creditor. A “terminating committee” is one that does not intend to raise contributions or make expenditures—except for the purposes of paying winding-down costs and retiring its debts. 116.1(a) and 116.2(a). An authorized committee may not settle any debts if any other authorized committee of the same candidate has enough permissible cash on hand to pay all or part of the debt. 116.2(c)(1) and (2).

Debts Subject to Settlement

The types of debts that are subject to debt settlement requirements include:

- Amounts owed to commercial vendors;
- Debts arising from advances by individuals (e.g., staff using personal funds or credit to purchase goods and services on behalf of the committee);
- Salary owed to committee employees; and
- Debts arising from loans from political committees or individuals, including candidates. 116.7(b).

The debt settlement rules do not apply to disputed debts, which are covered by other rules (see below). 116.7(c)(2).

They also do not apply to bank loans, though the Commission recognizes that under extraordinary circumstances, such as the death or bankruptcy of the candidate, settlement of bank loans may be appropriate. (The Commission will consider specific requests on a case-by-case basis.)

Debt Settlement Rules

A commercial vendor (incorporated or unincorporated) may forgive or settle a debt owed by a committee without incurring a contribution if:

- Credit was initially extended in the vendor's ordinary course of business, and the terms of the credit were similar to those observed by the vendor when extending a similar amount of credit to a nonpolitical client of similar risk. 116.3 and 116.4(d)(1);
- The committee undertook all reasonable efforts to satisfy the outstanding debt, such as fundraising, reducing overhead costs and liquidating assets. 116.4(d)(2); and
- The vendor made the same efforts to collect the debt as those made to collect debts from a nonpolitical debtor in similar circumstances. Remedies might include, for example, late fee charges, referral to a debt collection agency or litigation. 116.4(d)(3). If the committee or the creditor fails to take these steps, the difference between the amount owed and the amount actually paid

may be considered a contribution subject to limits and source prohibitions (i.e., prohibited if the vendor is incorporated). 114.2(b).

Debt Settlement Plans

After a terminating committee has reached agreements with its creditors, the treasurer must file a debt settlement plan on FEC Form 8. Once the plan has been submitted to the Commission for review, the committee must postpone payment on the debt until the Commission has completed the review. 116.7(a). Payments to creditors must be disclosed in the committee's termination report.

Completing Form 8

Step-by-step instructions for completing Form 8 are included with the form. The Commission recommends that the committee include as many debts as possible in the plan and submit a separate Part II (second page) for each creditor along with Part I (cover page). The treasurer must also submit Part III (third page) to indicate how the committee intends to address other debts not included in the submission. The treasurer must sign and date the first page. The creditor must also sign the form to indicate his or her acceptance of the settlement. As an alternative, the treasurer may attach a signed statement from the creditor containing the same information.

Reporting Debts Undergoing Settlement

Debts undergoing settlement must be continuously reported until the Commission has completed its review of the committee's debt settlement plan. The committee may file a termination report once all debts have been paid, settled, forgiven or otherwise extinguished. 116.4(f), 116.5(e) and 116.6(c).

Disputed Debts

A disputed debt is a *bona fide* disagreement between the creditor and the committee as to the existence of a debt or the amount owed by the committee. When filing a debt settlement plan, a terminating committee must describe any disputed debts and the committee's efforts to resolve them on Part III of Form 8. 116.10(b).

Creditor's Rights

No commercial vendor or other creditor is required to forgive or settle debts owed by committees. 116.4(e).

Assigning Debts to Another Committee

To expedite termination, an authorized committee that qualifies as a terminating committee and has no remaining cash on hand may assign its debts to another authorized committee of the same candidate, provided that:

- The committee transferring the debts was organized for an election that has already been held;
- Within 30 days before the assignment takes effect, the transferor committee notifies each creditor in writing of the name and address of the committee assuming the debts; and
- The committee assuming the debts notifies the FEC in writing that it has assumed the obligation to pay the debts. That committee must continue to report the debts until they are retired.

116.2(c)(3).

Forgiveness of Debts Owed by Ongoing Committees

Forgiveness Rules

A creditor may forgive a debt owed by an ongoing committee (that is, one that does not qualify as a terminating committee) if the debt has been outstanding at least 24 months and:

- The ongoing committee (1) has insufficient cash on hand to pay the debt, (2) has had receipts of less than \$1,000 and disbursements of less than \$1,000 during the previous 24 months and (3) owes debts to other creditors of such magnitude that the creditor could reasonably conclude that the ongoing committee will not pay its particular debt; or
- The creditor is unable, after reasonable diligence, to locate the ongoing committee.

116.8(a).

Notification to Commission

A creditor who intends to forgive a debt owed by an ongoing committee must notify the Commission of its intent in writing. The letter must provide the following information:

- The terms of the initial extension of credit and a description of the terms under which the creditor has extended credit to similar nonpolitical debtors;
- A description of the campaign's efforts to satisfy the debt;
- A description of the steps taken by the creditor to obtain payment, along with a comparison of those remedies with others pursued by the creditor under similar circumstances; and
- An indication that the creditor has forgiven other debts involving nonpolitical debtors in similar circumstances.

116.8(b).

Commission Review

The Commission will review each proposal to forgive a debt to ensure that the creditor, the ongoing committee and the candidate have complied with the Act's contribution limits and prohibitions. 116.8(c).