



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)
)
Blue Magnolia Investments, LLC, *et al.*) MUR 7454

**STATEMENT OF REASONS OF CHAIRMAN ALLEN DICKERSON,
VICE CHAIR STEVEN T. WALTHER, COMMISSIONER SHANA M. BROUSSARD,
AND COMMISSIONER ELLEN L. WEINTRAUB**

The Federal Election Campaign Act of 1971, as amended (the “Act”) requires political committees to file periodic reports accurately disclosing all receipts and disbursements.¹ In the interest of transparency, Commission regulations further require committees to report certain attribution information for contributions from limited liability companies (“LLCs”).² An LLC that has a single natural-person member and is not taxed as a corporation must be attributed only to the natural person member.³ A contribution by an LLC that is disregarded for tax purposes and does not have a single natural-person member is treated as a partnership contribution.⁴ A partnership contribution must be attributed to both the partnership and each partner, either in proportion to his or her share of the partnership profits or by agreement among the partners.⁵ To ensure proper attribution, an LLC “shall, at the time it makes the contribution, provide information to the recipient committee as to how the contribution is to be attributed, and affirm to the recipient committee that it is eligible to make the contribution.”⁶

It is unlawful to make a contribution in the name of another, to knowingly permit one’s name to be used to effect a contribution in the name of another, and to knowingly accept a contribution made in the name of another.⁷ The Commission’s rules for reporting attribution information for LLC contributions are intended to ensure that the source of a contribution is not obscured and that individuals may not use LLCs to avoid lawful disclosure.

In this matter, DefendArizona, an independent expenditure-only political committee (“IEOPC” or “super PAC”) reported receiving a \$100,000 contribution from Blue Magnolia

¹ 52 U.S.C. § 30104(a), (b).

² See 11 C.F.R. § 110.1(g).

³ *Id.* § 110.1(g)(4).

⁴ *Id.* § 110.1(g)(2).

⁵ *Id.* § 110.1(e).

⁶ *Id.* § 110.1(g)(5).

⁷ 52 U.S.C. § 30122.

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Investments, LLC (“Blue Magnolia”) and a \$100,000 contribution from Highway 76 LLC (“Highway 76”).⁸ At the time of the contributions, DefendArizona had not obtained the required attribution information and attributed the contributions only to Blue Magnolia and Highway 76.⁹ Following receipt of the complaint in this matter, DefendArizona requested attribution information and amended the relevant disclosure report to properly attribute the Blue Magnolia contribution to Larry Van Tuyl, Blue Magnolia’s single natural person member.¹⁰ DefendArizona likewise requested attribution information from Highway 76 but was unable to determine whether the contribution could be retained, and accordingly issued a refund to Highway 76.¹¹

The Commission found reason to believe that Blue Magnolia and Highway 76 failed to provide required attribution information and, in turn, that DefendArizona failed to report the required information.¹² In prior cases premised on similar facts, the Commission did not agree whether, following *Citizens United* and *SpeechNow.org v. FEC*, respondent committees had received adequate notice that the Commission’s LLC reporting rules and conduit contribution rules applied to contributions made to the newly formed IEOPCs authorized by those judicial rulings.¹³

With the passage of time, IEOPCs have become a regular part of the campaign finance landscape, and adequate notice to the public now exists.¹⁴ Consequently, there is no longer a lack of clarity concerning the application of LLC reporting rules and conduit contribution rules in these circumstances. Nevertheless, as the Commission has not previously found reason to believe under these circumstances, we did not seek a civil penalty in this case.

⁸ See Conciliation Agreement with DefendArizona at ¶¶ IV.11, 13.

⁹ See *id.*

¹⁰ See *id.* at ¶ IV.12.

¹¹ See *id.* at ¶ IV.13.

¹² Certification (“Cert.”), MUR 7454 (Blue Magnolia, *et al.*), (May 26, 2021). We voted to dismiss allegations that Respondents made or accepted contributions in the name of another and allegations that the LLCs may have been required to register and report as political committees. *Id.*

¹³ See Cert., MUR 6969 (MMWP12 LLC, *et al.*) (June 8, 2018); Cert., MURs 7031 & 7034 (Children of Israel, LLC, *et al.*) (June 8, 2018); Cert., MUR 6485 (W Spann LLC, *et al.*) (Feb. 25, 2016); Cert., MURs 6487 & 6488 (F8, LLC, *et al.*) (Feb. 24, 2016); Cert., MUR 6711 (Specialty Investments Group, Inc., *et al.*) (Feb. 24, 2016); Cert., MUR 6930 (SPM Holdings LLC, *et al.*) (Feb. 25, 2016); Cert., MUR 6968 (Tread Standard LLC, *et al.*) (May 11, 2018); Cert., MUR 6995 (Right to Rise, *et al.*) (May 11, 2018); Cert., MURs 7014, 7017, 7019 & 7090 (DE First Holdings, *et al.*) (May 15, 2018).

¹⁴ See Statement of Reasons of Chairman Matthew S. Petersen and Commissioners Caroline C. Hunter and Lee E. Goodman in the Matters of MURs 6485 (W Spann LLC, *et al.*), 6487 & 6488 (F8, LLC, *et al.*), 6711 (Specialty Investments, Inc., *et al.*), and 6930 (SPM Holdings LLC, *et al.*) (April 1, 2016); see also Statement of Reasons of Chair Caroline C. Hunter and Commissioner Matthew S. Petersen in the Matters of MURs 6969 (MMWP12 LLC, *et al.*), 7031 & 7034 (Children of Israel, LLC, *et al.*), 6968 (Tread Standard LLC, *et al.*), 6995 (Right to Rise, *et al.*), and 7014, 7017, 7019, & 7090 (DE First Holdings, *et al.*) (July 2, 2018).

See Statement of Reasons of Commissioners Ann M. Ravel and Ellen L. Weintraub in the Matters of MURs 6485 (W Spann LLC, *et al.*), 6487 & 6488 (F8, LLC, *et al.*), 6711 (Specialty Investments, Inc., *et al.*), and 6930 (SPM Holdings LLC, *et al.*) (April 13, 2016); see also Statement of Reasons of Vice Chair Ellen L. Weintraub in the Matters of MURs 6969 (MMWP12 LLC, *et al.*), 7031 & 7034 (Children of Israel, LLC, *et al.*), 7013 & 7015 (IGX, LLC, *et al.*) (May 23, 2018), 6968 (Tread Standard LLC, *et al.*), 6995 (Right to Rise, *et al.*), and 7014, 7017, 7019, & 7090 (DE First Holdings, *et al.*) (June 19, 2018).

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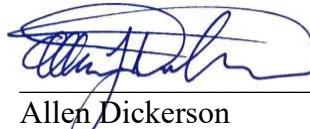
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As the Factual & Legal Analysis approved in this Matter explains, contributions from LLCs to committees must be attributed pursuant to Commission regulations, and those regulations apply to all committees, including IEOPCs. The Commission will apply that understanding going forward, and may seek civil penalties in appropriate future cases.

April 15, 2022

Date



Allen Dickerson

Chairman

April 15, 2022

Date



Steven T. Walther

Vice Chair

April 15, 2022

Date



Shana M. Broussard

Commissioner

April 15, 2022

Date



Ellen L. Weintraub

Commissioner