



FEDERAL ELECTION COMMISSION
Washington, DC 20463

Paul V. Breazeale, Treasurer
Palazzo for Congress
120 North Congress Street Suite 300
Jackson, MS 39201

February 11, 2021

pbreazeale@bsoltd.com

RE: MUR 7680
Palazzo for Congress and Paul V.
Breazeale in his official capacity as
treasurer
Steven M. Palazzo

Dear Mr. Breazeale:

On January 23, 2020, the Federal Election Commission notified Palazzo for Congress and you in your official capacity as treasurer of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). A copy of the complaint was forwarded to you at that time.

Upon review of the allegations contained in the complaint and information supplied by you, the Commission, on January 28, 2021, found that there is reason to believe Palazzo for Congress and you in your official capacity as treasurer and Steven M. Palazzo violated 52 U.S.C. § 30114(b) by converting campaign funds to personal use. The Factual and Legal Analysis, which formed a basis for the Commission's finding, is enclosed for your information.

You may submit any factual or legal materials that you believe are relevant to the Commission's consideration of this matter. Please submit such materials to the Office of the General Counsel along with answers to the enclosed questions within 30 days of receipt of this notification. Where appropriate, statements should be submitted under oath. In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation. *See* 52 U.S.C. § 30109(a)(4).

Please note that you have a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. *See* 18 U.S.C. § 1519.

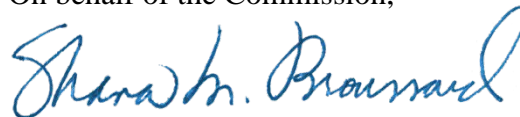
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If you are interested in pursuing pre-probable cause conciliation, you should make such a request by letter to the Office of the General Counsel. *See* 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into in order to complete its investigation of the matter. Further, the Commission will not entertain requests for pre-probable cause conciliation after briefs on probable cause have been delivered to the respondent(s). Requests for extensions of time are not routinely granted. Requests must be made in writing at least five days prior to the due date of the response and good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days. Pre-probable cause conciliation, extensions of time, and other enforcement procedures and options are discussed more comprehensively in the Commission's "Guidebook for Complainants and Respondents on the FEC Enforcement Process," which is available on the Commission's website at http://www.fec.gov/em/respondent_guide.pdf.

Please be advised that, although the Commission cannot disclose information regarding an investigation to the public, it may share information on a confidential basis with other law enforcement agencies.¹

This matter will remain confidential in accordance with 52 U.S.C. §§ 30109(a)(4)(B) and 30109(a)(12)(A) unless you notify the Commission in writing that you wish the matter to be made public. For your information, we have enclosed a brief description of the Commission's procedures for handling possible violations of the Act. If you have any questions, please contact Elena Paoli, the attorney assigned to this matter, at (202) 694-1548 or epaoli@fec.gov.

On behalf of the Commission,



Shana M. Broussard
Chair

Enclosures
Factual and Legal Analysis



¹ The Commission has the statutory authority to refer knowing and willful violations of the Act to the Department of Justice for potential criminal prosecution, 52 U.S.C. § 30109(a)(5)(C), and to report information regarding violations of law not within its jurisdiction to appropriate law enforcement authorities. *Id.* § 30107(a)(9).

**FEDERAL ELECTION COMMISSION
FACTUAL AND LEGAL ANALYSIS**

RESPONDENTS: Steven Palazzo **MUR 7680**
Palazzo for Congress and Paul V. Breazeale
in his official capacity as treasurer

I. BACKGROUND

This matter was generated by a complaint filed with the Federal Election Commission by Carl Boyanton. *See* 2 U.S.C. § 437g(a)(1). The Complaint alleges that U.S. Representative Steven Palazzo and his campaign committee, Palazzo for Congress and Paul V. Breazeale in his official capacity as treasurer (the “Committee”), used campaign funds for personal use in violation of the Federal Election Campaign Act of 1971, as amended (“Act”).¹ The Complaint identifies a number of payments that are allegedly personal, including rent payments for a candidate-owned property, an unnecessarily expensive car lease and car repair payments, accounting fees paid to a family member’s accounting firm, a hotel bill, and payments for a golf cart and an enclosed trailer.²

The Committee in its Response, which Palazzo adopts, denies the personal use allegations and asserts that the expenses were paid at market rate and were made for permissible campaign purposes.³ The available information supports a reasonable

¹ Compl. at 1-2 (Jan. 17, 2020). Palazzo was first elected in 2010 to serve as the congressman for Mississippi’s 4th congressional district. The Complainant was one of Palazzo’s 2020 primary election opponents.

² *Id.* at 2. The Complaint concludes by stating, “[i]f you went through his last few years [sic] filing you would find a lot more violations.” *Id.*

³ Committee Response at 2-3 (Feb. 13, 2020); Steven Palazzo Response (April 15, 2020) (collectively “Response”).

1 inference that the Committee's payments for rent and related expenses of the rental
2 property, vehicle expenses, accounting services, and various other expenses may be
3 personal use. The reported hotel bill payment appears to have been an error and is not a
4 violation. For the reasons set forth below, the Commission finds reason to believe that
5 Steven Palazzo and Palazzo for Congress and Paul V. Breazeale in his official capacity as
6 treasurer have violated 52 U.S.C. § 30114(b).

7 **II. FACTUAL AND LEGAL ANALYSIS**

8 The Act affords federal candidates and their campaign committees wide discretion
9 in the disposition of their campaign funds and provides that contributions accepted by a
10 candidate may be used by the candidate "for otherwise authorized expenditures in
11 connection with the campaign for Federal office of the candidate" and "for ordinary and
12 necessary expenses incurred in connection with duties of the individual as a holder of
13 Federal office."⁴ Nonetheless, campaign funds cannot be converted to "personal use" by
14 "any person."⁵ Conversion to personal use occurs when funds in a campaign account are
15 used "to fulfill any commitment, obligation, or expense of a person that would exist
16 irrespective of the candidate's election campaign or individual's duties as a holder of
17 Federal office."⁶

⁴ 52 U.S.C. § 30114(a)(1). *See* Expenditures; Reports by Political Committees; Personal Use of Campaign Funds, 60 Fed. Reg. 7862, 7866-67 (Feb. 9, 1995) ("Personal Use E&J") (explaining that the personal use prohibition is "not so broad as to limit legitimate campaign related or officeholder related activity," and that "candidates have wide discretion over the use of campaign funds").

⁵ 52 U.S.C. § 30114(b)(1).

⁶ *Id.* § 30114(b)(2); 11 C.F.R. § 113.1(g).

1 The Act and Commission regulations set forth certain uses of campaign funds that
 2 constitute conversion to personal use *per se*, including a home mortgage, rent, utility
 3 payments, and non-campaign-related automobile expenses.⁷ For all other disbursements,
 4 the regulation provides that the Commission shall determine on a case-by-case basis
 5 whether a given disbursement is personal use by applying the “irrespective test”
 6 formulated in the statute.⁸ The Commission has found that payments for health
 7 insurance⁹ and certain legal expenses¹⁰ were irrespective of the particular candidate’s
 8 candidacy under the circumstances and thus constituted impermissible personal use of
 9 campaign funds. The Commission has stated, however, that “[i]f the candidate can
 10 reasonably show that the expenses at issue resulted from campaign or officeholder
 11 activities, the Commission will not consider the use to be personal use.”¹¹

12 **A. Campaign Office Payments**

13 From March 2018 through August 2019, the Committee made disbursements for
 14 rent totaling \$60,000, or \$3,000 per month, to Greene Acres, LLC.¹² The Complaint
 15 alleges that the payments were for a 40-acre farm in Perkinson, Mississippi, that is “in the

⁷ 52 U.S.C. § 30114(b)(2)(A)-(I); 11 C.F.R. § 113.1(g).

⁸ 11 C.F.R. § 113.1(g)(1)(ii).

⁹ *See* Factual & Legal Analysis at 10, MUR 7068 (Mowrer).

¹⁰ *See* Factual & Legal Analysis, MUR 6128 (Craig); *FEC v. Craig*, 933 F. Supp. 2d. 111(D.D.C. 2013), *aff’d*, 816 F.3d. 829 (C.A.D.C. 2016).

¹¹ *See* Personal Use E&J at 7863-64.

¹² *See* Committee disbursements to Greene Acres LLC,
https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&disbursement_description=rent&recipient_name=Green&min_date=05%2F01%2F2018.

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1 middle of the rural county on a dirt road,” is “[h]ardly of use to his campaign” and that
 2 the payments amount to personal use of campaign funds because Greene Acres, LLC is a
 3 single-member LLC 100% owned by Palazzo.¹³ In addition, the Complaint questions the
 4 Committee’s payments for utilities, cleaning, lawn care, repairs, and maintenance for a
 5 campaign office because the complainant alleges he was told by a district office worker
 6 that Palazzo did not have a campaign office.¹⁴ Disclosure reports show that the
 7 Committee paid \$2,000 in total for lawn care,¹⁵ \$5,134.41 for “repair” and
 8 “maintenance,”¹⁶ and \$12,359.95 for utilities, including cable during a period from June
 9 2018 to November 2019.¹⁷

10 The Response acknowledges that Palazzo owns Greene Acres, LLC but denies
 11 that the payments were made for the use of a farm in Perkinson, Mississippi.¹⁸ Instead,

¹³ Compl. at 1; Compl. Exhs. B, C.

¹⁴ *Id.*

¹⁵ The Committee reported three payments to H&H Lawncare – \$600 on June 14, 2019, \$1,000 on August 16, 2019, and \$400 on October 14, 2019. *See* Committee disbursements for lawn care/landscaping, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=05%2F01%2F2018&disbursement_description=landscape&disbursement_description=lawn.

¹⁶ The Committee reported payments for “repairs” and “maintenance” to Lowe’s, HVAC repair, glass repair, Home Depot, Sherwin Williams, and a plumber. *See* Committee payments for repairs and maintenance (though some are for vehicle maintenance), https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=05%2F01%2F2018&disbursement_description=repairs+maintenance.

¹⁷ *See* Committee payments for campaign office utilities, including cable, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=05%2F01%2F2018&disbursement_description=utilities.

¹⁸ Resp. at 2. The Response asserts that Palazzo has owned Greene Acres, LLC since 2009 as “a simplified way to maintain ownership of fixed assets.” *Id.*

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1 the Committee states that it paid \$3,000 a month to Greene Acres, LLC to use a house
2 owned by Palazzo in D'Iberville, Mississippi, as a campaign office from February 2018
3 through September 2019.

4 In support, the Response attached a lease between “Steven Palazzo, as Landlord
5 and Palazzo for Congress, as Tenant” “For the Building Commonly Known as 11072 Old
6 Hwy 67” in D'Iberville, Mississippi.¹⁹ The lease agreement, dated February 1, 2018, that
7 Respondents submit for the D'Iberville house provides that the property shall be
8 maintained “in a state of repair consistent with its condition at the outset of the lease,”
9 and that the Committee would be responsible for maintenance, casualty and liability
10 insurance, utilities, and real estate taxes.²⁰ The Response does not explain how the house
11 was used as a campaign office or the reasons for the expenses, such as lawn care and
12 repairs, described above, and merely states that they “related to the campaign office.”²¹
13 The Response also argues that the monthly payments “for this office are fully supported
14 by market value considerations” but provides no such information.²²

15 Public records reveal that the D'Iberville “building” is a house that has been in the
16 Palazzo family since at least 2005.²³ According to his House Financial Disclosure Report

¹⁹ Resp. at 2.

²⁰ Resp. Attach. at 18.

²¹ *Id.* at 2.

²² *Id.*

²³ See 2005 Harrison County, Mississippi Landroll (showing a Frank Palazzo III as owner). Mississippi's online public search of property records only goes back to 2005.²⁴ See Compl., Exh. B (2018 House Financial Disclosure Report, Schedules A, B).

(“House FD Report”), in October 2017, Palazzo bought the D’Iberville house as an investment property and disclosed a mortgage on the property.²⁴ The Committee, however, paid rent to Greene Acres, LLC for the D’Iberville house. Palazzo does not list the house as an asset of Greene Acres on his House financial disclosure reports and does not disclose any income from the rental of the property.²⁵ Prior to renting the D’Iberville house in February 2018 as its campaign office, the Committee appears not to have paid for a campaign office for many years. The most recent disbursements for campaign office rent were made in early 2014 when it paid rent from March 11 to June 1, 2014.²⁶ Before that, the Committee apparently made rent payments for a campaign office from July 14, 2010, to January 7, 2011.²⁷

The Commission’s regulations at 11 C.F.R. § 113.1(g)(1)(i) specifically describe uses of campaign funds for candidate-owned property that could constitute personal use:

(E) Mortgage, rent or utility payments—

(1) For any part of any personal residence of the candidate or a member of the candidate’s family; or

²⁴ See Compl., Exh. B (2018 House Financial Disclosure Report, Schedules A, B).

²⁵ See House Committee on Ethics, 115th Congress, 2018 Instruction Guide for Financial Disclosure Statements and Periodic Transaction Reports at 21, <https://ethics.house.gov/sites/ethics.house.gov/files/CY%202018%20Instruction%20Guide%20for%20Financial%20Disclosure%20Statements%20and%20PTRs.pdf>.

²⁶ See Committee payments for rent in 2014, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&recipient_name=Gryder&disbursement_description=rent.

²⁷ See Committee payments for rent in 2010-11, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&recipient_name=Southeastern&disbursement_description=rent.

1 (2) For real or personal property that is owned by the candidate or a
 2 member of the candidate's family and used for campaign purposes, to
 3 the extent the payments exceed the fair market value of the property
 4 usage.²⁸

5
 6 In its 1995 rulemaking, the Commission justified retaining section (E)(2) to allow
 7 a committee to pay fair market rent to a candidate for candidate-owned property because
 8 “[t]hese arrangements more closely resemble arm's length transactions in that the
 9 property in question is available on the open market. ... Consequently, so long as the
 10 campaign pays fair market value, these payments will not be considered personal use.”²⁹
 11 Thus, the Committee's payments to Palazzo, via Greene Acres, LLC, for rent on the
 12 D'Iberville house would violate the personal use provisions of the Act and Commission
 13 regulations if the house served as the personal residence of Palazzo or his family or if the
 14 Committee paid more than fair market value for use of the house.

15 The available information supports a finding that the Committee's \$3,000
 16 monthly rent for Palazzo's house could be in excess of the fair market value, thereby
 17 constituting personal use under section (E)(2) of the regulation. The D'Iberville house
 18 does not appear to be a commercial property, and the D'Iberville zoning laws do not
 19 appear to permit a commercial use such as a campaign office in that area.³⁰

²⁸ See 11 C.F.R. § 113.1(g)(1)(i)(E).

²⁹ Personal Use E&J at 7,865.

³⁰ See City of D'Iberville Zoning Ordinance (revised March 17, 2015) at 65-71 (chart showing permitted uses in residential area).

1 The Respondents also have provided no information about fair market value for a
2 similar commercial property or described any campaign activity that occurred at the
3 house. In prior personal use matters, respondents provided the Commission with more
4 information on how they determined the appropriate rent. For instance, in MUR 6576
5 (McLeod, *et al.*), the Commission dismissed the complaint after the respondent submitted
6 detailed information regarding the fair market value of its rented office space, including a
7 declaration from a local commercial real estate expert.³¹ In MUR 6830 (MacArthur),
8 involving a potential in-kind contribution of rent for a campaign office, the Commission
9 dismissed the allegations when respondents submitted an affidavit from a Committee
10 staff member explaining how the rental space was used.³² Given that Palazzo was on
11 both sides of the lease, it was not an arms-length transaction, and an explanation on how
12 Respondents determined fair market value is necessary.³³ In fact, even though, Palazzo
13 was the “Landlord” under the lease to whom the rent was payable, the Committee
14 reported paying Greene Acres, LLC for rent for the property, suggesting that the ultimate
15 payee may have been obscured.

³¹ See Factual & Legal Analysis at 8-10, MUR 6576 (McLeod, *et al.*) (Commission analyzed information in the record to determine fair market value of office rental). In MUR 7293 (Zinke for Congress), the respondent submitted comparable information for the cost of a recreational vehicle. See Factual & Legal Analysis at 14, MUR 7293 (Zinke for Congress) (Respondents submitted information sufficient to find no personal use; price paid by Committee for RV close to appraisal).

³² See Factual & Legal Analysis at 3-4 (MUR 6830) (MacArthur).

³³ See Personal Use E&J at 7,865.

1 The extent to which the campaign used the office is relevant to the assessment of
2 whether they paid fair market value for the rental. According to the Complaint, no one in
3 Palazzo’s District Office was aware that there was a campaign office in D’Iberville or
4 elsewhere.³⁴ Also, the Committee made disbursements for a “campaign office” only 10
5 times during Palazzo’s decade-long tenure in Congress, and no office was rented for as
6 long as the 17-month occupancy at D’Iberville.³⁵

7 The prohibitions against personal use could also extend to the house-related
8 expenses since it seems likely that the lawn care payments and many other repair and
9 maintenance payments the Committee paid for on the D’Iberville house would have
10 existed irrespective of Palazzo’s candidacy. Although the “lease” between Palazzo and
11 his Committee requires the Committee to pay for certain home maintenance expenses,
12 such expenses could constitute personal use under these circumstances if they are not
13 “ordinary and necessary” expenses incurred in connection with Palazzo’s candidacy or
14 duties as a federal officeholder.³⁶ Even if the rental of Palazzo’s house for use as a

³⁴ Compl. at 1. Although it appears that Palazzo disclosed purchasing the D’Iberville house as an investment property in October 2017, less than six months before the Committee started paying to rent the property, Palazzo did not report receiving any income from the property on his House FD Report and does not report the property as an asset of Green Acres, LLC. The Committee does not explain these discrepancies in reporting. Palazzo’s inaccurate House FD Report apparently led the Complainant to believe that Greene Acre, LLC’s address, the Perkinson, Mississippi, farm, was the Committee’s campaign office. The Campaign Legal Center made the same assumption in a March 26, 2020, complaint to the Office of Congressional Ethics. See <https://campaignlegal.org/document/clc-complaint-oce-regarding-rep-steven-palazzo>.

³⁵ In MUR 6830 (MacArthur), which involved a dispute over the use of office space, the respondents explained how the Committee used the space at issue. The Respondents here have provided no such information. If the office was not even used for the stated purpose, that also would amount to personal use.

³⁶ See 11 C.F.R. § 113.1(g)(1)(ii).

1 campaign office is appropriate, Committee payments for the upkeep and maintenance of
2 the house have not been explained by Respondents.³⁷ In order to determine the fair
3 market value of Palazzo's house in its use as a campaign office, an investigation is
4 necessary.

5 **B. Leased Cars and Accounting Expenses**

6
7 The available record also indicates that the Committee's payments for leased cars,
8 accounting expenses, and other expenses may have also violated the prohibitions on
9 personal use. The Complaint alleges that the Committee had unusually high automobile
10 expenses of \$22,352 in a nine-month period, including vehicle lease payments and many
11 expenses that would not be expected while leasing a vehicle, *e.g.*, glass replacement and
12 other items "covered by warranty."³⁸ The Committee reported paying for car washes,
13 insurance, gas, detailing, tax assessments, maintenance, "OnStar data," and many
14 "automobile expenses" that were not further described. The Response only states, "As is
15 common with other campaigns, Palazzo for Congress leases, at the market rate, an
16 automobile for campaign use" and does not address the other expenses associated with
17 the vehicle.³⁹

³⁷ See Resp. Attach. at 18 (lease agreement).

³⁸ Compl. at 1.

³⁹ Resp. at 2.

1 Prior to December 2016, the Committee disclosed automobile expenses of
 2 approximately \$11,250 over a six-year period.⁴⁰ Its first car leasing payment was made
 3 on December 15, 2016, for \$1,064.21, which it continued to pay monthly until December
 4 13, 2018, when it began paying \$1,239.25 a month for a leased vehicle. In total, from
 5 December 15, 2016, to the present, approximately a three and a half-year period, the
 6 Committee paid \$65,329.54 for the lease payments and a down payment on the leased
 7 car.⁴¹ Other vehicle expenses during that period total an additional \$17,104.29.⁴² The
 8 Committee's disclosure reports reveal that Palazzo has reimbursed the Committee for
 9 \$10,123.34 in automobile expenses on four occasions during the time the Committee has
 10 leased the vehicles – \$3,831.16 on July 2, 2018, \$1,064.21 on April 29, 2019, \$2,742.09
 11 on December 19, 2019, and \$2,485.88 on February 14, 2020.⁴³

⁴⁰ See Committee disbursements for fuel, auto, car, gas from 1/1/2010-12/31/16, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=01%2F01%2F2010&max_date=12%2F31%2F2016&disbursement_description=gas&disbursement_description=fuel&disbursement_description=car&disbursement_description=auto (link also shows additional non-relevant payments).

⁴¹ See Committee disbursement for car lease, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=12%2F15%2F2016&max_date=12%2F31%2F2020&disbursement_description=lease.

⁴² See Committee disbursements for gas, OnStar data, detailing, taxes, car washes, maintenance, insurance, https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=12%2F15%2F2016&max_date=12%2F31%2F2020&disbursement_description=gas&disbursement_description=fuel&disbursement_description=auto (this link includes some of the auto lease payments).

⁴³ See Committee receipts, offsets to operating expenditures and other receipts, https://www.fec.gov/data/receipts/?data_type=processed&committee_id=C00477323&contributor_name=Palazzo&two_year_transaction_period=2020&two_year_transaction_period=2018&min_date=01%2F01%2F2017&max_date=12%2F31%2F2020.

1 Vehicle expenses are analyzed by the Commission on a case-by-case basis.⁴⁴
 2 Vehicle expenses that relate to a Federal officeholder’s official activities are excluded
 3 from the definition of personal use.⁴⁵ If a vehicle is used for both campaign and official
 4 activities, as well as personal activities beyond *de minimis* use, the portion of the vehicle
 5 expenses associated with personal activities is considered personal use unless the user
 6 reimburses the campaign within 30 days.⁴⁶ A committee must document personal use of
 7 a committee-owned vehicle. The Commission has stated that a regularly updated mileage
 8 log would satisfy the regulations’ record-keeping requirements.⁴⁷

9 The approximately \$10,000 in reimbursements made by Palazzo to the
 10 Committee, presumably to account for personal use of the campaign vehicles, add up to
 11 about one-eighth of the Committee’s costs since the Committee started to lease campaign
 12 vehicles in 2016. It is not evident whether the Committee kept records of Palazzo’s
 13 personal use and it did not provide any such records in response to the Complaint. It also
 14 seems unlikely that Palazzo reimbursed the Committee for any personal use of the
 15 vehicle within 30 days, as the regulation requires, given that he made only four, large

⁴⁴ 11 C.F.R. § 113.1(g)(1)(ii)(D).

⁴⁵ *Id.*; see also Advisory Op. 2001-03 (Meeks) (“AO 2001-03”) at note 5 (stating that an elected Member of Congress need not reimburse the Committee for vehicle use for “representational duties”).

⁴⁶ See 11 C.F.R. § 113.1(g)(1)(ii)(D); see also AO 2001-03 (noting that personal use of the committee vehicle amounting to 5% of total use would be *de minimis*, though not providing a bright line for *de minimis* use).

⁴⁷ AO 2001-03 at 3; see also 11 C.F.R. § 104.14(b) (explaining form of required records and reports); Conciliation Agreement at 6, MUR 5895 (Meeks for Congress) (although candidate paid for portion of campaign vehicle lease, committee did not keep records of personal and official use consistent with regulation).

reimbursements over a three-year period, and the increased level of spending in connection with the leased vehicles raises questions about the accuracy of those reimbursements.

The Complaint also questions the Committee's payments for accounting services. The Complaint alleges that the Committee is paying two accounting firms, Breazeale, Saunders & O'Neil, Ltd., the treasurer's firm, and Palazzo's own firm, Palazzo & Co.⁴⁸ The Complaint alleges that although the Palazzo firm is in Palazzo's wife's name, he could be still earning money from it and therefore could be personal use.⁴⁹

In 2001, Palazzo opened Palazzo & Co. with his now ex-wife, Lisa.⁵⁰ The Palazzos divorced in 2016,⁵¹ at which time Lisa Palazzo took ownership.⁵² The firm appears to specialize in tax preparation for Americans overseas.⁵³ From January 1, 2016 to the present, the Committee has paid \$60,784.06 to the Palazzo firm⁵⁴ and \$40,789.46

⁴⁸ Compl. at 1-2.

⁴⁹ *Id.*

⁵⁰ See www.palazzotax.com/about; 2010 House Financial Disclosure Report at 3, http://clerk.house.gov/public_disc/financial-pdfs/2011/8202682.pdf (describing firm as sole proprietorship).

⁵¹ See https://www.huffpost.com/entry/gop-congressman-steve-palazzo-drowning-in-controversy_b_59f9e477e4b0de896d3f2cf1 (including divorce decree document).

⁵² Palazzo "exchanged" his 100% interest in Palazzo & Co. on January 1, 2016, to a 0% interest. Palazzo HFD 2016 Amendment.

⁵³ <https://www.palazzotax.com/>.

⁵⁴ See https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&min_date=01%2F01%2F2016&max_date=09%2F30%2F2019&recipient_name=Palazzo+%26+Company. The Committee has made payments to Palazzo & Company for accounting since January 2011.

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to the Breazeale accounting firm.⁵⁵ The only other federal political committee from which Palazzo & Co. has received payment is Patriot Political Action Committee, Steven Palazzo's leadership PAC.⁵⁶

The Response states that the Committee pays the "coastal" accounting firm (presumably Palazzo) for "general ledger and bill paying."⁵⁷ It further states that the "Jackson" firm (Breazeale) handles FEC reporting and consulting.⁵⁸ The Response states that "the person" at Palazzo who was performing work for the Committee resigned in August 2019 and that since then Breazeale has handled all accounting work for the Committee.⁵⁹ The Response states that Steven Palazzo has no ownership in either firm.⁶⁰

The Commission's regulation provides that personal use includes:

(H) Salary payments to a member of the candidate's family, unless the family member is providing bona fide services to the campaign. If a family member provides bona fide services to the campaign, any salary payment in excess of the fair market value of the services is personal use.⁶¹

⁵⁵ See https://www.fec.gov/data/disbursements/?min_date=01%2F01%2F2016&max_date=12%2F31%2F2020&data_type=processed&committee_id=C00477323&disbursement_description=accounting&recipient_name=Breazeale. The Committee has made payments to the Breazeale firm for accounting since June 2010.

⁵⁶ See https://www.fec.gov/data/disbursements/?committee_id=C00522318&data_type=processed&recipient_name=Palazzo.

⁵⁷ Resp. at 3.

⁵⁸ *Id.* The Committee's treasurer is a partner in the Breazeale firm and submitted the Committee's response to the Complaint in this matter.

⁵⁹ *Id.* .

⁶⁰ Resp. at 3.

⁶¹ 11 C.F.R. § 113.1(g)(1)(i)(H).

1 For purposes of this regulation, a candidate's family does not include a former spouse.⁶²
2 However, under the "irrespective" test,⁶³ a payment (or overpayment) to any person who
3 was not providing bona fide services to the campaign would be a conversion to personal
4 use.

5 The circumstance of the Committee paying two accounting firms raises questions
6 about the services each was providing, especially in light of the Committee's
7 minimalistic response on the issue. The Breazeale firm includes the Committee's
8 treasurer, who files the Committee's disclosure reports and prepared the Response to the
9 Complaint. It is unclear why a separate firm would provide "general ledger" or
10 bookkeeping services to the treasurer, an accountant, who was taking in contributions,
11 writing Committee checks, and filing disclosure reports. It is not clear what "bill paying"
12 services the Palazzo firm did when the Committee's treasurer, Breazeale, would need to
13 approve Committee checks.

14 In prior personal use/family payments matters where the Commission did not find
15 reason to believe there has been significantly more information in the record. For
16 example, in MUR 5701 (Filner), the Commission found no reason to believe where the
17 respondents submitted examples of the candidate's spouse's work for the Committee.⁶⁴

⁶² See 11 C.F.R. § 113.1(g)(7).

⁶³ 52 U.S.C. § 30114(b)(2).

⁶⁴ See Cert., MUR 5701, July 13, 2006 (Filner) (approving recommendations in First Gen. Counsel's Rpt., July 10, 2006).

Given the long history of seeming duplication of services provided by two accounting firms, almost no information regarding campaign work performed by Palazzo & Co., and its stated specialty in taxes for expatriates, it appears that payments to Palazzo and Co. may have constituted personal use.

C. Other Committee Payments

In addition to the house, vehicle, and accounting service payments, the Complaint briefly alleges that several other Committee expenses are problematic, and the Response does not explain them. First, the Response does not explain the approximately \$5,600 in payments for a “trailer” and an “enclosed trailer” in 2018.⁶⁵ The company receiving most of the payments, Ranchland Tractors, primarily sells tractors and ATV vehicles,⁶⁶ and no information is available about the other vendor, MCPal Co., Inc. Second, the Committee paid \$3,135.60 for a golf cart on February 15, 2016, for a campaign event,⁶⁷ but the Response provides no information about its use and states that the cart was later sold and the proceeds redeposited into the campaign account.⁶⁸ The Committee’s disclosure reports reveal that the Committee sold the golf cart for \$7,500 on December 30, 2016.

⁶⁵ See Committee payments for “trailer” and “enclosed trailer,” https://www.fec.gov/data/disbursements/?data_type=processed&committee_id=C00477323&disbursement_description=trailer.

⁶⁶ <https://ranchlandtractor.com/>.

⁶⁷ See <https://docquery.fec.gov/cgi-bin/fecimg/?201603239011956008>. The payment for the golf cart went to Sheffield Financial, a company that loans funds to purchase such vehicles. See <https://www.sheffieldfinancial.com/>.

⁶⁸ Resp. at 3.

1 Lastly, a six-figure payment to Hyatt Hotels appears to have been a data entry
2 error on the Committee's disclosure reports.⁶⁹

3 Besides the Hyatt hotel bill payment, the Response has not adequately addressed
4 the credible allegations of personal use set forth in the Complaint. There are a large
5 number of different types of payments for which plausible personal use violations have
6 been alleged and not rebutted to any extent. Therefore, the Commission finds reason to
7 believe that Steven Palazzo and Palazzo for Congress and Paul V. Breazeale in his
8 official capacity as treasurer violated 52 U.S.C. §30114(b).

⁶⁹ See Resp. at 3; Committee Amended 2019 October Quarterly Report at 27,
<https://docquery.fec.gov/cgi-bin/fecimg/?202002039186347230>.