



FEDERAL ELECTION COMMISSION
1050 FIRST STREET, N.E.
WASHINGTON, D.C. 20463

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matters Under Review (“MUR”) of

Freedom Forward Fund, <i>et al.</i>	7981
Tread Standard, <i>et al.</i>	8002
Ala. Conservatives Fund, <i>et al.</i>	8008
Snow Goose LLC, <i>et al.</i>	8019

STATEMENT OF REASONS OF COMMISSIONERS SHANA M. BROUSSARD, ALLEN J. DICKERSON, DARA LINDENBAUM, AND JAMES E. “TREY” TRAINOR, III

The Federal Election Campaign Act (“FECA” or “Act”) requires that political contributions be properly attributed to their contributor. A person who furnishes another with funds for the purpose of contributing to a candidate or committee “makes” that resulting contribution.¹

But a complexity arises whenever the contributed funds come from a limited liability company (“LLC”), a common scenario that has bedeviled the Commission. We write to describe the approach taken in several recent MURs and to explain the Commission’s view going forward.

FEC regulations categorize LLCs based on their tax treatment.² For example, a disregarded entity (a single-member LLC “that does not elect to be treated as a corporation by the Internal Revenue Service”) may make a contribution to a committee, but that contribution must be attributed to the single member.³ By contrast, LLCs treated as partnerships must generally attribute the contribution “to the partnership and to each partner...[i]n direct proportion to his or her share of the

¹ 52 U.S.C. § 30122; 11 C.F.R. § 110.4.

² 11 C.F.R. § 110.1(g)(1-5).

³ 11 C.F.R. § 110.1(g)(4).

partnership profits.”⁴ And a contribution by “[a]n LLC that elects to be treated as a corporation...shall be considered” a contribution by the corporation.⁵

Reporting contributions is the responsibility of the recipient, not the contributor. Unlike the LLC, a recipient committee is unlikely to be familiar with the structure and tax status of a contributing company. The Act⁶ and its implementing regulations, however, require only that committee treasurers “exercise[] best efforts to obtain...and report” accurate attribution information from a contributor.⁷

In these Matters, the Commission received a range of complaints alleging that committees erroneously disclosed LLCs as the contributors instead of the LLCs’ beneficial owners. The complainants also alleged that these were contributions in the name of another—that is, straw donations.⁸ We disagreed. As the relevant Factual and Legal Analyses discuss at greater length, we believe these matters are better understood as failures to correctly attribute these contributions.

In these and future matters involving single-member and partnership LLCs, we intend to proceed as follows.⁹

- Where an LLC fails to provide correct attribution information, and the recipient committee reports the contribution accordingly, we will ordinarily pursue a violation of the relevant provision of 11 C.F.R. § 110.1 by the LLC.
- If the LLC nevertheless provides attribution information within 30 days, whether in response to an 11 C.F.R. § 104.7 best efforts request by the recipient committee or otherwise, we will ordinarily exercise the agency’s prosecutorial discretion and excuse the contributor.¹⁰

⁴ 11 C.F.R. §§ 110.1(g)(1); 110.1(e).

⁵ 11 C.F.R. § 110.1(g)(3).

⁶ 52 U.S.C. § 30102(i).

⁷ 11 C.F.R. § 104.7(b).

⁸ 52 U.S.C. § 30122 (“No person shall make a contribution in the name of another person or knowingly permit his name to be used to effect such a contribution, and no person shall knowingly accept a contribution made by one person in the name of another person”).

⁹ Corporate LLCs are not subject to attribution. 11 C.F.R. § 110.1(g)(2). Accordingly, in appropriate cases, we will find RTB that a corporate LLC violated 52 U.S.C. § 301022 where a corporate LLC is used to mask the true contributor of a given contribution.

¹⁰ *Heckler v. Chaney*, 470 U.S. 821 (1985).

- Where a recipient committee engages in best efforts and receives either incorrect attribution information or no attribution information from the contributor, the Commission will dismiss a complaint concerning that committee's reporting of the contribution.¹¹
- Where a recipient committee fails to exercise best efforts and inaccurately reports an LLC contribution, we will ordinarily pursue a violation of 52 U.S.C. § 30104(b) and the relevant provision of 11 C.F.R. § 110.1 by the committee.

These rules have several advantages. They provide a clear-cut, objective approach to enforcement that does not rely upon the intentions of either contributors or recipient committees. They create incentives for committees to engage in best efforts and for contributors to provide requested attribution information. And they help ensure that committees, which can be expected to understand campaign finance rules, and LLCs, which generally cannot, work together to provide the public with accurate reports.

We hope that this approach will provide much needed clarity to the public and provide for easier, fairer, and more consistent enforcement of the laws concerning LLC contributions to political committees.



Shana M. Broussard
Commissioner

September 13, 2024

Date



Allen J. Dickerson
Commissioner

September 13, 2024

Date

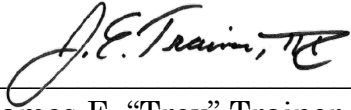


Dara Lindenbaum
Commissioner

September 13, 2024

Date

¹¹ 52 U.S.C. § 30102(i).



James E. "Trey" Trainor, III
Commissioner

September 13, 2024

Date