

## Minnesota Campaign Finance and Public Disclosure Board

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# Political Committee and Political Fund Handbook

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## Welcome

This handbook was written for you by the staff of the Campaign Finance and Public Disclosure Board. The Board was created by the Legislature back in the 1970's. Its job is to oversee and publish information about money used to influence state elections. This includes elections for state candidates and elections where people vote on amendments to the Minnesota Constitution. You can learn more about the mission and members of the Board on our website at [www.cfboard.state.mn.us](http://www.cfboard.state.mn.us).

This handbook is for groups that are spending money, or just thinking about spending money, on elections for state offices or amendments to the state constitution. The state offices are governor, lieutenant governor, secretary of state, attorney general, state senator, state representative, state supreme court justice, state court of appeals judge, and state district court judge. This handbook will tell you how to start and run a political committee or fund. If you read and understand the information in this handbook, you can run a political committee or fund or be a treasurer with confidence.

If you print this handbook, please check the Board website periodically for updates. Look at the "Last revised" date on the first page of the online handbook to see if you have the latest version.

We have not tried to answer every possible question in this handbook. When you can't find the answer to a question here, please call us. You can find out which staff member can best help you by looking at the Getting Help section. You also can look at our website for additional information. All the forms you need also are available on our website.

In general, if a group is going to spend more than \$750 in a year on influencing elections, it will have to register with the Board. The triggering amount is higher, \$1,500, for a group that is only going to spend money on independent expenditures. The triggering amount increases to \$5,000 for a group that is only going to spend money on ballot question expenditures.

After it registers, the group will do its election spending through either a political committee or a political fund. The next section explains how to decide what type of registration fits your group. After it is registered, your political committee or fund must regularly report to the Board about the money it receives and spends. The information on the report is posted on the Board's website so the public knows who is spending money to influence the public's votes.

Each political committee or fund has one person in charge of the money. That person is called the treasurer. The treasurer has an important job, which is making sure that the committee or fund follows the campaign finance laws. The treasurer's job takes time and requires a person who is willing to accept a lot of responsibility.

The treasurer must receive, keep records on, and report all money coming into and going out of the committee or fund. The treasurer must make sure that the committee or fund follows the campaign finance laws. If the committee or fund enters into transactions that violate state laws or fails to file proper reports on time, it is the treasurer who is responsible to the Board. You should not become a treasurer unless you are willing and able to take on these responsibilities. If you already are a treasurer, you should be sure that you know what is expected of you and you should help the committee find another treasurer if you are unwilling or unable to accept the treasurer's responsibilities.

## **Starting a political committee or fund**

### **Overview**

This chapter tells you whether you need to start a political committee or a political fund, how to choose the type of committee or fund that best fits your group's purpose, and how to set up a political committee or fund.

### **Topics covered**

[Do I need to form a political committee or fund?](#)

[What is the difference between a political committee and a political fund?](#)

[What is the difference between a standard political committee or fund and the two specialized political committees and funds?](#)

[How do you decide what kind of political committee or fund to form?](#)

[Who should be the committee chair and the committee or fund treasurer?](#)

[Does the committee or fund need a bank account?](#)

[How often do you need to deposit contributions?](#)

[How do you register with the Board?](#)

[What is the time limit for registering?](#)

[What penalties apply if you don't follow the laws for starting a committee or a fund?](#)

### **Do I need to form a political committee or fund?**

You must form a political committee or fund if you are part of a group of two or more people and:

- your group will receive more than \$750, or spend more than \$750, to influence the election of a state candidate;
- your group will receive more than \$1,500, or spend more than \$1,500, only for independent expenditures; or
- your group will receive more than \$5,000, or spend more than \$5,000, to influence the vote on a constitutional amendment ballot question.

### **What is the difference between a political committee and a political fund?**

There are four basic types of political structures for campaign finance purposes: political parties; candidate campaign committees; political committees; and political funds. Political committees and political funds both start with groups of two or more people

- who are not political parties or candidate committees and
- who want to spend money to influence elections.

A **political committee** exists for only one purpose: to influence elections. That election can be the election of one or more candidates, an election in which people vote on amendments to the state constitution, or both types of elections.

Two or more people joining together to influence elections would register their group as a political committee. Because everything that a political committee does is to influence elections, all of its finances are disclosed on its reports to the Board.

If the group's major purpose is something other than influencing elections, the group would not be a political committee. A group whose major purpose is something other than influencing elections, however, still may want to spend some of its money to influence an election. The money that the group collects or uses to influence elections is called its **political fund**.

When a group registers a political fund, it is telling the Board that it will be using some of its money to influence elections and that it will track that money for disclosure purposes. A political fund is just an accumulation of the group's money; it is not an entity separate from the group itself. The group maintains records of its political fund account in its regular bookkeeping system or through some other accounting mechanism of its choice. The group only reports the activities of the political fund account to the Board and does not report on anything else that the group does. The money that constitutes a group's political fund may come from membership fees or dues collected by the group that created the fund or from contributions to the group made specifically to influence candidate or ballot question elections.

In this handbook and in other Board publications, we sometimes refer to a political fund as if it were something separate from the group that reports through its political fund account. We do this as a means of shorthand. In every case where we refer to a political fund, we are really referring to the association that uses a political fund account or accounting mechanism to report the contributions it receives and the money it uses for political purposes. When we talk about forming a political fund, what we are actually referring to is the establishment of some sort of accounting system that an association will use to track and report its political financial transactions. When we talk about a political fund receiving money, we are referring to a group allocating some of its money for political use or receiving donations that are made specifically to influence candidate or ballot question elections.

### **What is the difference between a standard political committee or fund and the two specialized committees or funds?**

A standard political committee or fund can contribute money to candidates, other political committees and funds, and political parties. It also can make independent expenditures and ballot question expenditures. A standard political committee cannot accept money from corporations or from groups that are not registered with the Board.

In addition to standard political committees or funds, there are two kinds of political committees or funds that make only certain types of expenditures. The first specialized political committee

or fund is an independent expenditure political committee or fund. Independent expenditures are expenditures that a group makes on a candidate's behalf without consulting with or involving the candidate or the candidate's campaign committee in any way. Independent expenditures are not contributions to candidates. Independent expenditure committees and funds can accept corporate contributions and use them to make independent expenditures and contributions to other independent expenditure committees or funds. They cannot donate to candidates, to regular political committees or funds, or to political parties.

The second type of specialized political committee or fund is a ballot question political committee or fund. A ballot question political committee or fund makes expenditures to influence voting in elections on amendments to the state constitution. Ballot question committees and funds can accept corporate contributions and can make only ballot question expenditures and contributions to other ballot question committees and funds. They cannot donate to candidates, to regular political committees or funds, or to political parties.

### **How do you decide what kind of political committee or fund to form?**

When your group is deciding whether to form a standard political committee or fund or a specialized committee or fund, it should consider two things: what it wants to spend its money on and from whom it wants to take contributions.

A standard political committee or fund can contribute money to candidates, other political committees and funds, and political parties. It also can make independent expenditures and ballot question expenditures. If your group wants to have the most flexibility to make contributions and to spend money on elections, you should form a standard political committee or fund.

On the other hand, if your group only will make independent expenditures or give money to other independent expenditure political committees or funds, you could decide to form an independent expenditure committee or fund. Similarly, if your group only will make ballot question expenditures or give money to other ballot question committees or funds, you could decide to form a ballot questions committee or fund.

When your group is deciding whether to form a standard political committee or fund or a specialized committee or fund, it also should consider whether it wants to accept contributions from corporations. In Minnesota, it is against the law for corporations to donate money to candidates or to political parties either directly or indirectly through another group. Consequently, if your group decides to accept contributions from corporations, it will not be able to donate money to candidates, to standard political committees or funds, or to political parties. Instead, your group will be able to make only independent expenditures or ballot question expenditures and to donate only to specialized political committees or funds of the same type. If your group will accept corporate contributions, you must form one of the specialized political committees or funds and limit your spending accordingly.

The rest of this handbook assumes that you are going to form a standard political committee or fund and will help you to understand how to start and operate that committee or fund. If you decide to form an independent expenditure or ballot question committee or fund, you need a different handbook that the Board has written for these types of committees or funds.

### **Who should be the committee chair and the committee or fund treasurer?**

Every political committee must have a chair and a treasurer. The chair and the treasurer can be the same person. The chair's duties are not specified in law. It therefore is up to the committee to decide what the chair's duties will be.

Every political fund must have a treasurer. A political fund does not have to have a chair.

The treasurer is the key financial person in the committee or fund. The campaign finance laws specify many of the treasurer's duties. The committee or fund cannot accept or spend any money when it does not have a treasurer. The Board will send notifications and bulletins to the treasurer and use the treasurer as the contact person for the committee. The treasurer's job has several parts.

### **Recordkeeping**

The treasurer must keep detailed records of all the contributions that the committee or fund receives and of all the money the committee or fund spends. Some of the things that the treasurer must keep records of include the following:

- The total amount of money that the committee or fund receives;
- The name and address of anyone who gives more than \$20 to the committee or fund along with the date and the amount of the contribution;
- Every expenditure made by the committee or fund along with the date and amount of the expense;
- Every expenditure made by the committee or fund with a candidate's approval along with the date and amount of the expense; and
- The name and address of any candidate's committee, political committee or fund, or party unit to which the committee or fund gives money along with the date and amount of the contribution.

This list of recordkeeping tasks is just a sample of what the treasurer must do. The different sections of this handbook provide more details about the records that must be kept for each kind of transaction.

Good records are important because political committees and funds must tell the public who has given them money and what they did with those contributions. Also, there are limits on the amount of money and help that a political committee or fund can give to candidates. Many of these limits apply to contributions given over the course of a two-year period. Without good

records, the committee or fund cannot know if the total amount given to a candidate over the two-year period is more than the allowed amount. The treasurer must save the records for four years.

### **Knowing general campaign finance laws**

The treasurer does not need to know all the campaign finance laws. But a treasurer should know enough about these laws to spot potential problems. The treasurer also should know where to find campaign finance information and how to get additional help when needed. For example, if a treasurer generally knows that there are contribution limits on the total amount that a committee or fund can give a candidate, the treasurer will understand how important it is to check those limits before the committee or fund sends an initial contribution or a second contribution to the same candidate. The treasurer should know that the specific contribution limits and other important information are available in this handbook and on the Board's website. The treasurer also should know that Board staff members are available to answer campaign finance questions.

### **Reconciliation**

The committee or fund records are like bank statements. The treasurer of a political committee regularly must compare the actual cash on hand with receipts and spending records. The treasurer of a political fund must regularly review the political fund account records to ensure that they include all of the transactions that are reportable through the political fund account. If the political committee's records do not reconcile with the bank's records or the political fund account records do not reflect the actual transactions, the treasurer must find and fix the problem. Some groups open a separate bank account for their political fund account. If they do, then their political fund records should reconcile to the bank's records just like those of a political committee.

### **Reporting**

The treasurer must report all receipts and spending to the Board six times each election year. There is only one report required during a non-election year. In addition, just before the election, the treasurer also must report large contributions as they happen. The treasurer signs each report to confirm that the information on it is complete, true, and correct. Because the treasurer is responsible for the report, all of the recordkeeping and reconciliation for the committee or fund should be done by the treasurer or under the treasurer's close supervision. If a political committee has no treasurer, the chair must file the reports. If a political fund has no treasurer, it must pick someone to file the reports for it.

The Board has free software called Campaign Finance Reporter (CFR). You can install CFR on your computer and use it to keep the committee or fund records. CFR incorporates the campaign finance laws. As you enter your records, it will alert you to possible problems. If you



enter records regularly, you should have time to fix most problems before the time limit has passed. You also can use CFR to generate reports and send them electronically to the Board.

The Board offers [training sessions](#) for CFR in St. Paul and, occasionally, at locations around the state. [CFR tutorials](#) also are available on the Board website. Finally, you can always call the Board if you need additional CFR support.

For most committees and funds, filing using an electronic system is required. This means that the treasurer should plan to take training and use the CFR software to keep the committee or fund records. Some committees and funds will qualify for an exemption from the electronic filing requirement. More information about the electronic filing requirement and the [exemption](#) is available on the Board's website.

### **Does the committee or fund need a bank account?**

An association that has a political fund does not need a separate bank account for the fund, but it must have an accounting system that tracks the money that constitutes the political fund.

A political committee must have its own bank account. Money given to a political committee cannot be mixed with any other money. The bank account must be called the “Campaign Fund of (name of political committee).” The name on the check, however, can be the name of the committee. The treasurer must have signing authority for the account. The Board strongly suggests that the chair of a political committee and some other person in a group that operates a political fund also have signing authority for the account in case the treasurer resigns or is unable to carry out the job’s duties. This is also a good tool for financial control because it ensures that at least two people have access to the official bank records.

Because political committees and funds must give their Board registration number with all contributions, some political committees have their registration number imprinted on their checks.

To open a bank account, you need an identification number from the Internal Revenue Service (IRS). The IRS has two types of identification numbers: an individual number (TIN) and an employer number (EIN). The IRS gives EINs to political organizations, even those who are not actually employers. The IRS has information about EINs on its website: <http://www.irs.gov/businesses/small/article/0,,id=97860,00.html>. To get an EIN, you can apply on-line at <https://sa2.www4.irs.gov/modiein/individual/index.jsp> . You also can call the IRS at (800) 829-4933 or send the IRS an [SS-4](#) “Application for an Employer Identification Number” form. For more detailed help, see the information sheet "[Getting an IRS Identification Number.](#)” It is available on the Board’s website and in the Common Questions section of the handbook.

All money received by a political committee must be deposited into the committee’s bank account. All money that constitutes an association's political fund must be deposited into the

association's bank account or to the separate political fund account if the association maintains a separate account for the fund.

### **How often do you need to deposit contributions?**

In general, you must deposit contributions within 10 business days of receiving the money. If possible, you may want to make copies of any checks before you deposit them. This may make it easier to reconcile the financial records of the committee or fund.

### **How do you register with the Board?**

After you have opened the political committee's bank account or established the accounting system for the political fund's account, you can register with the Board. You should use the Board's [registration form](#) to register the committee or fund. On the registration form, you will report basic information such as the name of the committee or fund, the names and addresses of the committee or fund officers, and the committee's bank. If you are forming a political fund, you also must list the name and address of the association that is establishing the fund. You can deliver the form to the Board in person or by mail, fax, or email. At this time, a committee or fund cannot register on-line. The registration form must be signed by the treasurer.

If something that you list on the registration changes, you must tell the Board within 10 days of the change. It is very important to promptly notify the Board of changes in the committee or fund contact information because this is the information that the Board uses when it needs to contact the committee or the association that registered the fund. Changes must be in writing. You can use the same form to report changes or send an e-mail or letter with the needed information.

Remember to promptly open any mail you get from the Board. Much of the information is date sensitive.

### **What is the time limit for registering?**

You must register the committee or fund with the Board within 14 days after

- receiving more than \$750, or spending more than \$750, to influence the election of a state candidate;
- receiving more than \$1,500, or spending more than \$1,500, for independent expenditures; or
- receiving more than \$5,000, or spending more than \$5,000, to promote or defeat a state ballot question.

Spending money to influence a party's endorsement of a candidate counts toward the registration threshold.

In an election year, there is a special registration requirement. If, during the two weeks before the election, your group receives loans or contributions from one source that total more than \$1,000, you must register the committee or fund by the end of the next business day after it received the money. The mailing you will receive from the Board before each election will include the specific dates for this requirement. They are also on the Disclosure Calendar available on the Board's website.

**What penalties apply if you don't follow the laws for starting a committee or fund?**

If you do not register the committee or fund within the required time limit, the Board can charge a late fee. The Board can charge an additional penalty of up to \$1,000 for not filing a registration after the Board has sent notice that your registration is overdue.

## Receiving contributions

### Overview

This chapter tells you what things the committee or fund can receive from other people or groups. It also tells you what records to keep for those contributions. You will use the records to make reports to the Board.

### Topics covered

[What is a contribution?](#)

[How should you handle loans?](#)

[Who can give you contributions?](#)

[Who can't give you contributions?](#)

[What do you do if you accept a contribution from a prohibited source?](#)

[How should you handle joint contributions?](#)

[What records do you have to keep?](#)

[What penalties apply to contributions that don't follow the rules?](#)

### What is a contribution?

A contribution is anything given to the committee or fund. The contribution can be money. A contribution also can be a thing or a service. Contributions of anything other than money are called in-kind contributions. There are some exceptions to the general rule that everything given to the committee or fund is a contribution. A volunteer's time is not a contribution. This volunteer time can include professional or technical services as long as the service does not require the use of equipment or other resources from a business.

A committee or fund cannot accept any contributions when it does not have a treasurer. All money that the committee or fund receives must be deposited in the committee's bank account or accounted for in the political fund. A political committee's money cannot be mixed with anyone else's funds. A political fund must have an accounting system that tracks the money that belongs to the fund.

### Vehicle use

The use of a personal car for committee or fund purposes by a volunteer is **not** a contribution.

A committee or fund can choose to reimburse a volunteer for vehicle use. To reimburse someone, you must use the rate that the state uses to reimburse its employees for personal vehicle use. This [rate](#) is available on the Board's website. If you do reimburse someone for vehicle use, you must report it as an expenditure.

## **In-kind contributions to the committee or fund**

An in-kind contribution is always valued at fair market value. For example, if someone gives the committee or fund a used computer, the value of the contribution would be the price for which the donor could have sold the computer in the open market. The donor and the committee or fund should agree on the value of the in-kind contribution. There is an exception for things that are given to the political committee or fund that have little value. You do not have to keep track of or report donations of goods that have a market value of \$20 or less.

Remember that every in-kind contribution to the committee or fund is also an in-kind expenditure on the date that it was accepted by the committee or fund. The handbook section on expenditures tells you how to report in-kind expenditures.

## **Income**

A committee or fund also could earn income such as interest on the committee or fund bank account or proceeds from selling property that was used in the regular operation of the committee or fund. A committee or fund also has income when one of its contributions to another entity is returned to the committee or fund. Income is not a contribution to the committee or fund. Income is reported on a different schedule than contributions and is not subject to the same restrictions as contributions. Because income is an exception to the general rule, contact Board staff if you have any questions about reporting a receipt as income rather than as a contribution.

The money that a committee or fund gets from selling tickets to fundraisers is not income. These funds are contributions from the people who bought tickets. The Common Questions section of the handbook talks about specific issues related to different types of fundraisers.

## **How should you handle loans?**

All loans to the committee or fund require a written agreement between the lender and the committee or the association that set up the political fund. The written agreement must include the date and amount of the loan and the name, address, occupation, and principal place of business of the lender and any co-signer or guarantor. All loans must eventually be either repaid or forgiven.

A loan or a loan guarantee is not a contribution to the committee or fund until the loan is forgiven or repaid by someone other than the committee or fund. If the loan is forgiven, the lender that forgave the loan is the donor of the contribution. If the loan was repaid by someone other than the committee or fund, the entity that repaid the loan is the donor of the contribution. The amount of the contribution is the amount of the loan that was forgiven or repaid.

A political committee or fund also can make loans for political purposes to candidate committees, other political committees or funds, or party units. Disbursements made from these loans are reported as expenditures by the committee or fund. They are discussed under the Spending Money section of the handbook.

### **Who can give you contributions?**

You can take contributions from the following types of people:

- Individuals who are not lobbyists;
- Individuals who are lobbyists;
- Political committees and funds registered with the Board;
- Political committees registered in Hennepin County;
- Political party units registered in Minnesota;
- A state candidate's campaign committee; and
- Groups that are not registered with the Board or Hennepin County if 1) the contribution is \$200 or less or 2) the group also gives you a disclosure form showing who gave the group money and how the group spent that money.

The disclosure form from the unregistered group must list information that is required by the campaign finance laws. The Board recommends that you not accept more than \$200 from any group not registered with the Board. If you do want to take more than \$200 from an unregistered group, be sure to consult with Board staff so that you and the donor understand the requirements before you accept the contribution.

Remember, if a group gives you more than \$200, the group also must give you its registration number or a disclosure form.

You can use the lists on the Board's website to see if a group is registered with the Board.

There is a special rule that governs the allocation of money by an entity for its own political fund purposes. The entity that created a political fund can allocate more than \$100 of the entity's dues or membership fees to its political fund without providing the standard disclosure form used by unregistered groups. Instead, the entity that created the political fund only must disclose the name of any member whose dues, membership fees, or contributions allocated to the political fund, in total, exceed \$100 in a year.

On its campaign finance reports, however, the political fund only must disclose the name of any member whose dues, membership fees, or contributions allocated to the fund, in total, exceed \$200 in a year.

## **Who can't give you contributions?**

Some people and groups cannot give anything to a political committee or fund. You cannot take money, things, or any other contribution from the following people or groups:

- Corporations;
- Anonymous contributors unless the contribution is \$20 or less; and
- Anyone who gives you money on the condition that you will give it to or use it for a particular candidate.

There are exceptions to the rule against corporate contributions. A nonprofit corporation that is not organized or operating for the main purpose of conducting a business can provide administrative help to one political committee or fund. The administrative help, however, is limited to the following things: accounting, clerical, or legal services; bank charges; utilities; office space; and supplies. The nonprofit corporation also can store the records of the committee or fund. The administrative help, however, has an annual financial limit which is the lesser of \$5,000 or 7.5% of the committee or fund expenditures.

A corporation also can provide meeting facilities to a political committee or fund as long as the corporation provides the same facilities to other groups on the same terms given to the committee or fund.

## **What do you do if you accept a contribution from a prohibited source?**

If the committee or fund deposits a contribution from a prohibited source by mistake, it must give the contribution back. If the committee or fund returns a contribution from a prohibited source within 90 days of deposit, it does not have to include the contribution or the check returning the contribution on its campaign finance report and any violation associated with the contribution is cleared. If using the CFR software, the committee or fund, however, should record both the receipt and the return of the contribution so that the CFR records will match the bank statements of the committee or fund. If the prohibited contribution is returned more than 90 days after it was deposited, the committee or fund still must return the contribution, but the full amount of the original contribution must be included on the committee or fund report. The report must also include an expenditure transaction recording the return of the contribution. The violation that resulted from the prohibited contribution is not cured by returning the contribution more than 90 days after it was received and, as a result, will be dealt with by the Board. If a committee or fund returns the actual check from a donor without depositing it, nothing is reported to the Board.

If the committee or fund receives an anonymous contribution that is more than \$20, you must send it to the Board within 14 days. The Board will add the money to the Public Subsidy Program account. You must send the entire amount of the anonymous contribution to the Board, not just the amount over \$20.

Sometimes the committee or fund will know the name of a donor but will not have a piece of required information, such as the donor's address or employer/occupation. The committee or fund must try to get the missing information. If the committee or fund cannot get the missing information, it must treat the entire contribution as an anonymous one and forward it to the Board.

A committee or fund also can refuse or return any contribution, or any part of a contribution, for its own reasons.

### **How should you handle joint contributions?**

Many times, people contribute to a political committee or fund using a check written on a joint account. Campaign finance rules, however, do not recognize joint contributions. Every contribution must be reported as coming from one donor. This means that the treasurer must decide how to report a contribution that is received in the form of a check drawn on an account with two names on it.

When you receive a check written on a joint account, you can report the full amount of the contribution as coming from the person who signed the check.

You can split a contribution between the two people listed on the check only if one of the following conditions is met: 1) you personally know that the check was intended to be from both parties; or 2) you contact the person who did not sign the check to confirm that the check was intended to be from both parties. You should make a note in your records that explains how you treated the contribution and why.

### **What records do you have to keep?**

You must keep a record of everything given to the committee or fund. You must keep the records for four years. The campaign finance laws require larger contributions to be itemized on the report. Specifically, for contributions over \$200, you must list the name, address, and employer of the donor and the date and amount of the contribution. If one donor has given multiple contributions that total more than \$200, you must itemize them all, listing each contribution separately on the report under the donor's name. Contributions from donors who have given \$200 or less, in total, should be added together and listed as a lump sum on the committee or fund report to the Board. However, you still have to keep an internal record of each of these contributions.

If you use an electronic reporting system like CFR, regularly add donation information and remember to back up your data often.

Many times, an initial contribution will be too small to report as an itemized contribution. The campaign finance laws, however, apply to all contributions given over the course of the year. If you do not keep good records, you will not be able to tell when a donor's total contributions reach the itemization level.



Although you should keep records of everything given to the committee or fund, the detail of each record depends on the amount given. The specific rules are described in the sections below.

### **Contributions of \$20 or less – Cash**

For a cash contribution of \$20 or less, the only thing you must record is the amount and the date the contribution was received. You may choose to record the name of the contributor for the committee's or fund's own use. But the law does not require you to record more than the amount and date of the contribution.

If you collect money through small donations put in a jar or box, you should tell donors that if they want to donate more than \$20, they should see the treasurer so you can get their donation information. Donations of \$20 or less collected through a donation jar are reported with other nonitemized contributions regardless of the total amount put in the jar.

### **Contributions of \$20 or less – In-kind**

You do not have to record or report anything for an in-kind contribution that is \$20 or less.

### **Contributions over \$20 but not more than \$200 – Cash and In-kind**

For all contributions over \$20 but not more than \$200, you must record the name and address of the donor, the date the contribution was received, the amount of the contribution, and, for in-kind contributions, a description of what was donated. If the donor is registered with the Board, you should record the donor's Board registration number.

### **Contributions over \$200 – Cash and In-kind**

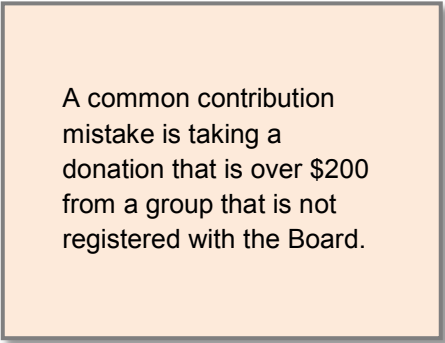
For contributions that are more than \$200, you must record the same information required for contributions over \$20 but not more than \$200. In addition, you must record the donor's employer or, if self-employed, the donor's occupation.

You should keep your list of donors in alphabetical order because this is how you must report them to the Board. Each reporting period includes all contributions received during the year, not just the contributions received since the last report. If you use the Board's CFR reporting software, it will automatically keep track of your donors in alphabetical order. In addition, CFR will allow you to easily comply with the requirement that reports be filed in electronic form.

## What penalties apply to contributions that don't follow the rules?

The Board can charge a penalty of up to \$1,000 for the following things:

- Accepting a contribution when the committee or fund does not have a treasurer;
- Not keeping records of contributions;
- Mixing committee funds with other money;
- Not depositing contributions promptly; and
- Accepting an anonymous contribution over \$20.



A common contribution mistake is taking a donation that is over \$200 from a group that is not registered with the Board.

If the committee or fund accepts a contribution without the required disclosure form from a group that is not registered with the Board and the contribution is more than \$200, the Board can charge a penalty of up to four times the amount of the contribution that is over \$200.

The Board can seek a penalty of up to \$3,000 if someone tries to get around the contribution limits or the disclosure requirements by making contributions through another person or on behalf of another person. The Board also can seek a penalty of up to \$3,000 if a person knowingly fails to keep records of contributions. The Board can impose an additional \$3,000 civil penalty on the committee or fund that is affiliated with the person who knowingly failed to keep the contribution records.

## Spending money

### Overview

This chapter tells you what the committee or fund can do with its money. It also covers what records to keep of your spending. You will use those records to make reports to the Board.

### Topics covered

- What can a political committee or fund do with its money?
- What are the disclaimer requirements?
- What are in-kind expenditures?
- What are in-kind contributions to candidates or other committees or funds?
- What are approved expenditures?
- A note about making loans to others
- A note about independent expenditures
- A note about ballot question expenditures
- What rules apply when the legislature is in session?
- What are the contribution limits?
- What spending records must be kept?
- What penalties apply to improper spending?

### What can a political committee or fund do with its money?

A political committee or fund can make contributions to candidates, to political committees or funds registered with the Board, to federal or local committees, and to political party units. A political committee or fund also can make independent expenditures and ballot question expenditures. A political committee or fund can pay expenses related to the operation of the committee or fund, such as fundraising expenses, website fees, and administrative costs.

Money collected for political purposes cannot be used by or loaned to anyone for personal reasons.

### What are the disclaimer requirements?

When a committee or fund makes an independent expenditure, the communication must include a disclaimer stating that the activity is an independent expenditure, that it was made without the approval of the candidate, and that the candidate is not responsible for the activity. The disclaimer must be included in all oral communications, in conspicuous type on the front page of all literature and advertisements published or posted, and at the end of all broadcast ads.

When a committee or fund produces or distributes any other campaign material, that material must include a disclaimer, which is a statement of attribution that tells who is responsible for producing and distributing the material. The campaign finance laws are very specific about the

words that must be used in the disclaimer. When a committee or fund is involved with producing or distributing campaign material, the following disclaimers must be used.

For campaign material that is distributed through broadcast media, the disclaimer must state, "Paid for by the .....committee."

For all other campaign material prepared and paid for by the committee or fund, the disclaimer must state, "Prepared and paid for by the ..... committee, .....(address), in support of .....(insert name of candidate or ballot question)."

If the campaign material is not circulated on behalf of a candidate or a ballot question, the disclaimer must also include state the phrase "in opposition to ..... (insert name of candidate or ballot question)" or the phrase "this publication is not circulated on behalf of any candidate or ballot question."

The disclaimer requirement does not apply to objects stating only the candidate's name and office sought; fund-raising tickets; or personal letters that are clearly being sent by candidates

### **What are in-kind expenditures?**

In-kind expenditures result ONLY from your committee's or fund's receipt of in-kind contributions. They are equal and complementary. Every in-kind contribution received by your committee or fund results in an in-kind expenditure on the date that the in-kind contribution was accepted by your committee or fund.

### **What are in-kind contributions to candidates or other committees or funds?**

Many times, a political committee or fund will give something other than money to a candidate, another committee or fund, or a political party. For example, a political committee or fund may do a phone bank for a candidate. Donations of things other than money are in-kind contributions to the receiving entity. The committee or fund would report these transactions on the contribution schedules of its campaign finance report. There are separate schedules for contributions to each type of recipient committee.

### **What are approved expenditures?**

Sometimes, your committee or fund will want to spend money on a candidate's behalf. If the candidate approves, or is in any way involved with the spending, the amount spent is a contribution to the candidate. This type of campaign spending is called an approved expenditure.

Before your committee or fund goes ahead with an approved expenditure on a candidate's behalf, the candidate or the candidate's committee treasurer must approve the expense in writing. The written permission must describe what the committee or fund is going to do for the candidate, when it will happen, and how much the committee or fund donor can spend. The

Board has a form on its website for [approving expenditures](#). A letter also is acceptable proof of approval. You should keep a copy of the letter or the form for the committee or fund records.

Approved expenditures are reported by the benefitted candidate as in-kind contributions to the candidate. The amount of the contribution is the amount that the committee or fund spent on the candidate's behalf. The date of the contribution is the date that the contribution was accepted.

### **A note about making loans to others**

A political committee or fund can make loans for political purposes to candidate committees, other political committees or funds, or party units. All loans from the committee or fund to another entity require a written agreement between the committee or fund and the borrower. The written agreement must include the date and amount of the loan and the name, address, occupation, and principal place of business of the borrower and any co-signer or guarantor. All loans must eventually be either repaid or forgiven.

A loan or a loan guarantee is not a contribution from the committee or fund that makes the loan unless the loan is forgiven. If the loan is forgiven, the committee or fund is the donor of the contribution. The amount of the contribution is the amount of the loan that was forgiven.

Because a loan could turn into a contribution at some point in the future, loans from political committees or funds to candidate committees are added to the cash and in-kind contributions from the same committee or fund when checking to see if the lender's contribution limit has been reached. These contribution limits are discussed later in this section.

Similarly, when a committee or fund guarantees or co-signs a loan for a candidate committee, this promise could become an actual contribution to the candidate at some point in the future if the committee or fund is eventually required to pay off the loan. Because of this, the amount of a loan that a committee or fund may co-sign for a candidate committee, when added to the co-signor's cash and in-kind contributions, cannot exceed the individual contribution limit and counts against the contribution limit from that committee or fund.

### **A note about independent expenditures**

Sometimes your committee or fund will want to spend money on a candidate's behalf without consulting with or involving the candidate or the candidate's committee in any way. If the expenditure meets the requirements of the law for independence, it is called an independent expenditure. An independent expenditure is not a contribution to the candidate and is not reported on the candidate contribution section of the committee or fund report. Instead,

Remember that approved expenditures must be approved in advance and in writing by the candidate or the candidate's committee treasurer and that the writing must state the amount that can be spent and the reason for the spending.

independent expenditures are reported on a special schedule. The treasurer must sign an affidavit stating that the expenditures were independent and the affidavit must be notarized. If the candidate or a member of the candidate's committee knows about the independent expenditure in advance or has had discussions about the independent expenditure, you should be very careful that this involvement has not converted the independent expenditure to a contribution. If in doubt, ask for guidance from a Board staff member.

### **A note about ballot question expenditures**

Political committees and funds can spend money on elections to amend the state constitution. This spending is not a contribution and is reported on the ballot question expenditure schedule.

### **What rules apply when the legislature is in session?**

A political committee or fund cannot give money to a candidate's campaign committee or to a political committee established by a House or Senate legislative caucus when the legislature is in session. The sessional prohibition applies to all candidates who have a committee registered with the Board; not just to candidates who currently hold office. The ban applies to the entire first day of session even though the session usually begins at noon. A contribution from a political committee or fund that is mailed to the candidate's committee before the session starts but is not received until after the session has begun is a contribution during the session. The ban does not apply to special legislative sessions or when the candidate is in a special election.

### **What are the contribution limits?**

#### **Limits on contributions from political committee and funds**

There are limits on the amount that one political committee or fund can give to a candidate's campaign committee during a two-year period. A two-year period that ends on December 31 of an election year is called an election segment. Any other two-year period is called a non-election segment. The contribution limits are higher in an election segment than they are in a non-election segment.

For an office with a four-year term, the non-election segment and the election segment together make up the election cycle for that office. The House of Representatives has an election cycle of two years, so that cycle consists only of an election segment.

The contribution limits also are different for each office. The limits apply both to one-time contributions and to the total amount given by the committee or fund over the course of each two-year segment. Because the limits apply to contributions from individuals as well as to contributions from political parties and funds, the limits are commonly referred to as the individual contribution limits.

<b>Limits on contributions from political committees and funds</b>		
<b>Office</b>	<b>Election segment limit</b>	<b>Non-election segment limit</b>
Governor/Lt. Governor	\$4,000	\$2,000
Attorney General	\$2,500	\$1,500
Secretary of State, State Auditor	\$2,000	\$1,000
State Senate	\$1,000	\$1,000
State Representative	\$1,000	N/A
Judicial Office	\$2,500	\$1,000

### **Special source limits**

There also is a limit on the total amount that a candidate's committee can receive from certain types of donors. This limit is called the "special source limit". The donors included in this limit are often called "special sources", and include political committees and funds, lobbyists, associations not registered with the Board, and large donors who are individuals. The special source limit applies to the total amount given by all special sources over the course of each two-year segment.

The special source limit is about 20% of the spending limits for the office sought and is calculated by the Board for each election. The special source limit applies to all candidates; even those who do not sign the public subsidy agreement.

Candidates often discover that they have accepted too many contributions from special sources. A candidate who has exceeded the special source limit must return enough contributions to bring the total amount of contributions from special sources under the limit. The candidate chooses which contributions will be refunded to the donors. A candidate also can return part of a contribution.

<b>Special Source Limits</b>	
<b>Office</b>	<b>Aggregate Special Source Limits for the 2013-2014 election cycle segment</b>
Governor/Lt. Governor	\$700,000
Attorney General	\$120,000
Secretary of State, State Auditor	\$80,000
State Senate	\$6,000
State Representative	\$12,000

### **What spending records must be kept?**

You must keep records of all the committee or fund expenditures, including cash and in-kind contributions to other candidates, independent expenditures, and ballot question expenditures. Your records must include the date and amount of each contribution or expenditure. You must keep the records for four years. The treasurer must approve all spending done by the committee. You can use the Board's CFR software to keep track of your spending. You should regularly enter your spending into CFR and back up your data often.

There is one exception to the requirement that you record every expenditure. The exception is for very small items that you purchase out of a petty cash fund. The treasurer or deputy treasurer can take up to \$100 per week from the committee's checking account or the political fund and use that money to pay cash for small incidental purchases. The committee or fund must keep a record of each withdrawal for the petty cash fund. If the withdrawals add up to more than \$100, the committee must itemize them on the committee's reports. The committee or fund should get a receipt for each reimbursement or payment made from petty cash but does not report these individual transactions to the Board.

The following recordkeeping requirements apply to general expenditures, independent expenditures, and ballot question expenditures. For both cash and in-kind expenditures, political committees and funds must record the following information:

- the date and amount of the expenditure, including in-kind expenditures;
- the name and address of the vendor; and
- a description of the item or service purchased.

If you are reimbursing someone for an expense that was more than \$200 or paying a credit card bill for an expense that was more than \$200, you must keep some additional information. You must keep the information listed above for 1) the person or company that you are paying for the expense and 2) the vendor who actually sold the item or performed the service. For example, if you reimburse a volunteer who paid more than \$200 for food for an event, you must keep the following information in your records:

- the date and amount of the reimbursement expenditure;
- the fact that the payment was reimbursement for food for a specific event;
- the name and address of the person being reimbursed; and
- the name and address of the vendor who provided the food.

You must have an invoice or a receipt for any payment over \$200. If the committee or fund spends more than \$200 with a vendor at one time or over the course of the year, you must itemize the payments to that vendor. Keep your records in alphabetical order by vendor because that is how you must report your expenditures to the Board. If you use the CFR software, it will automatically group payments to a vendor and sort vendors alphabetically.

The date that an expenditure is reportable is the date when the committee or fund made the commitment to spend the money, not when the bill was actually paid. An expenditure that has not been paid at the reporting date is listed as an unpaid bill.

The date that an in-kind expenditure was made is the date that the committee or fund accepted the in-kind contribution of goods or the date that in-kind services were actually provided. The vendor for the in-kind expenditure is the donor of the corresponding in-kind contribution.



You also must keep records of all contributions made by the committee or fund to candidates, other committees or funds, and political party units. You should keep these records separately by type of recipient because you must report your contributions to these entities on separate schedules. For example, you would report contributions to state candidates on Schedule B2-CAN and contributions to political party units on Schedule B2-PTY. When your committee or fund makes a contribution to another entity, you must give that entity your committee or fund name and Board registration number.

You also must keep records of all contributions returned to the committee or fund.

If you use the CFR software, it will warn you if the committee or fund donations to a particular candidate are approaching the contribution limits or if they have exceeded those limits.

### **What penalties apply to improper spending?**

The Board can charge a penalty of up to \$1,000 for the following things:

- Spending money when the committee or fund does not have a treasurer;
- Not keeping records of spending;
- Mixing committee funds with other money;
- Making a contribution during the legislative session to a legislative candidate;
- Making a contribution to a candidate that is more than the candidate is permitted to accept; and
- Not including the committee or fund Board registration number on a contribution.

The Board also can seek a penalty of up to \$3,000 if a person knowingly fails to keep records of expenditures. The Board can impose an additional \$3,000 civil penalty on the committee or fund that is affiliated with the person who knowingly failed to keep the expenditure records.

The Board can bring a legal action to recover money raised from contributions that is not used for political purposes.

## Reporting to the Board

### Overview

This chapter tells you how to use your records to file reports with the Board. It also tells you when those reports are due. You can use the Board's free CFR software to keep your records and make your reports. If you use the CFR software, it automatically fills out all of the report schedules for you.

### Topics covered

- [When do you need to file reports with the Board?](#)
- [How do you report to the Board?](#)
- [How do you get an exemption from the electronic filing requirement?](#)
- [How do you report if you still file a paper form?](#)
- [What do you report to the Board?](#)
- [What are the reporting requirements just before an election?](#)
- [How do you fix mistakes on a report?](#)
- [What penalties apply to reporting?](#)

### When do you need to file reports with the Board?

The reports that you file with the Board are like bank statements. They show the amount of money that the committee or fund started with at the beginning of the year, the receipts and spending that have come in and gone out of the committee or fund during the year, and the amount of money that the committee or fund has left at the end of the year.

In a non-election year, you must file one report for the entire year. This report is due on January 31<sup>st</sup> of the following year.

In an election year, you must file six reports with the Board. In 2014, those reports are due according to the following schedule:

First quarter report:	April 14, 2014
Second quarter report:	June 16, 2014
Pre-primary-election report:	July 28, 2014 (15 days before the primary)
42 <sup>nd</sup> day pre-general-election report:	September 23, 2014
10 <sup>th</sup> day pre-general-election report:	October 27, 2014
Year-end report:	By January 31, 2014

A calendar with all the reporting dates is available on the Board's website. Remember that late fees begin without notice on the day after a report is due.

Each report covers the time period from the beginning of the year to the date of the report. The beginning balance on every report is always the ending balance from the previous year's report.

Because each report covers the entire year up to the date of the report, you will repeat some of the earlier receipt and spending entries on the later reports.

A political committee must file reports every year until the committee closes, even if the committee did not collect or spend any money during the year.

A political fund does not have to file a report if it did not accept any contributions or make any expenditures since the date of its last report. If the association has a separate checking account for its political fund and the fund's only activity during the reporting period was receiving interest on the money in the account or paying bank fees to maintain the account, the fund does not have to file a report for that period.

A political fund that has been placed in voluntary inactive status does not have to file reports with the Board.

### **How do you report to the Board?**

You must file your reports electronically. The Board will make an exception for your committee or fund if you show that you have a good reason for not filing electronically.

If you are using the Board's free CFR software to keep your records, you also can use the software to generate the required reports and send them electronically to the Board. CFR incorporates the campaign finance requirements. As you enter your records, it will alert you to possible mistakes. If you enter records regularly, you should have time to fix your mistakes before the time limit has passed. The Board holds periodic training classes on the use of the software. The Board website has a current list of [training opportunities](#). The training offered by the Board and [online tutorials](#) on the Board's website explain the step-by-step process for creating and filing a report using CFR.

You can use other campaign finance software to keep your records and report to the Board as long as the software meets the Board's requirements.

### **How do you get an exemption from the electronic filing requirement?**

If you think you have a good reason for not filing electronically, you can request a waiver from the requirement. Committees or funds that do very little spending often ask for waivers. You can ask for a waiver by filling out the [waiver request form](#) that is available on the Board's website. The Board will tell you if the waiver is granted. If it is, you can continue to file paper reports for two years. You will have to reapply for another waiver after the two years are over.

### **How do you report if you still file a paper form?**

If the committee or fund has received a waiver to report using a paper form, you may send your report to the Board by fax, by U.S. mail, or as an attachment to an electronic mail. If you fax the report, you should keep a copy of the transmittal confirmation to show that you sent the report

on time. Even home faxes usually have a way to print a transmission report. If the Board does not receive the fax by the filing deadline and the committee or fund does not have a transmittal confirmation, the report will be considered to be late.

Paper reports must comply with all the legal requirements for committee and fund reports. You should **read the instructions** for completing each schedule before you start to fill it in. You should complete the schedules before you fill out the summary page. On the schedules, contributions and expenditures must be grouped by source or vendor. Donors and vendors must be reported alphabetically when itemization is required. The report must include all transactions from January 1 through the cutoff date of the reporting period.

Paper reports also must be clearly legible even in a scanned image. If the report is not legible, the treasurer will be required to re-do the report and to resubmit it. The Board has also developed an information sheet that tells treasurers about the most common problems with paper filings. This [information sheet](#) is available on the Board's website.

### **What do you report to the Board?**

You report the committee's or fund's receipts and spending to the Board. Each report has a summary section where you show

- the total amount given to the committee or fund;
- the total amount spent by the committee or fund directly;
- the total amount contributed by the committee or fund to candidates, political parties, and other political committees or funds; and
- the total amount spent by the committee or fund on independent expenditures and ballot question expenditures.

The report also has schedules where you list more details about the contributions that the committee or fund received and the expenditures that the committee or fund made. For example, you list contributions to the committee or fund on Schedule A1 – CR - Contributions Received. You use the Schedule B forms to list direct spending, contributions to candidates and the different types of committees, and independent and ballot question expenditures. Finally, there are places to report the details of loans and unpaid bills.

The amount of detail that you report on each form depends on the amount of the contribution or the spending.

If you use the CFR software, you don't need to worry about the schedules or the summary. CFR fills them out automatically based on the receipts and expenditures you entered. Before you send your report to the Board, you can look at it on your computer or print it out so that you can see exactly what your filed report will contain.

Paper filers will need to review the instructions included with the paper forms and the information sheet about common paper filing problems before filing reports. This review will help paper filers to correctly fill out each schedule and the summary and make sure that the report meets the requirements for a paper filing.

### Contributions to the committee or fund

In this section, when we talk about the contribution amount, we mean the total of all contributions that the committee or fund received from the same donor. For example, if a contributor buys a fundraiser ticket for \$75 and later makes a cash contribution of \$150, the total contribution amount is \$225 and the contributions will be itemized. Apply the rules below to the donor totals, not to each individual contribution from the same donor.

Don't report receipts from fundraisers as "miscellaneous income." They are contributions from the people who came to the fundraiser.

You do not have to report anything for in-kind contributions from one donor that are \$20 or less. You also should exclude in-kind contributions of \$20 or less when calculating the total amount given by a donor.

Contributions from donors who each gave \$200 or less – Cash and in-kind total:

- Add the in-kind contributions together.
- Add the cash contributions together.
- Report the **total amount** of the in-kind contributions in the in-kind column on the nonitemized line on the bottom of the schedule.
- Report the **total amount** of the cash contributions in the cash column on the nonitemized line on the bottom of the schedule.
- Do not list the donors separately.
- Do not list these small contributions as miscellaneous income.

Contributions from one donor of more than \$200 – Cash and In-kind total:

- Report each contribution individually.
- Report the date received and the donor's name, address, and employer or occupation.
- Report in-kind contributions in the in-kind column and cash contributions in the cash column.
- List the donors in alphabetical order.
- If a donor made more than one contribution, list each contribution separately under the donor's first entry on your report
- Include the registration number of any donor registered with the Board.

## **Expenditures**

For this section, the expenditure amount is the total of all payments made to the same vendor. For example, if you bought office supplies for \$60 and later bought more supplies from the same vendor for \$150, the expenditure amount for that vendor is \$210 and the expenditures will be itemized. Apply the rules below to the vendor, not to each individual payment made to the same vendor.

Vendors or suppliers to whom you have made expenditures of \$200 or less

- Add the expenditures together and report the **total amount** on the nonitemized line on the expenditure schedule.
- Do not list the payments individually.

Vendors or suppliers to whom you have made expenditures of more than \$200

- List the vendor name and address with the first expenditure to that vendor.
- Report each additional payment individually on the expenditure schedule below the vendor's entry.
- Report the date and amount of each payment and a description of the item or service bought.
- If the payment was made to reimburse someone or to pay a credit card bill, you must report using either of the following two methods. (1) You can report the expenditure as if it were paid directly to the vendor who sold the goods or services; listing the vendor as the payee instead of the person you reimbursed. Under this option, you will keep your own records showing that this payment was actually a reimbursement and who it was paid to. (2) Under this second method, you can report the name and address of the person you are reimbursing or the credit card company being paid as the payee and describe the item originally purchased. Under this option, if you are reimbursing someone for an item that cost more than \$200, you must also include the name and address of the vendor that the person being reimbursed bought the item from.
- List the vendors in alphabetical order.

## **Contributions to local and federal candidates**

Contributions to local and federal candidates also are reported on the expenditure schedule. Follow the rules above to report these contributions.

## **Independent and ballot question expenditures**

There are separate schedules for reporting independent and ballot question expenditures. The rules for reporting expenditures in the preceding section also apply to reporting independent and ballot question expenditures. The independent expenditure schedule, however, also includes an affidavit that the spending was done without consulting with or involving the candidate or the

candidate's committee in any way. The treasurer must sign this affidavit under oath and have it notarized. If you are using CFR, print out the affidavit of independent expenditures, sign it and have it notarized, and then send it to the Board.

### **Contributions to candidates and other committees or funds**

For committees and funds filing paper reports, there are separate schedules for reporting contributions that the committee or fund makes to state candidates and other state committees or funds. For example, you would report direct contributions to state candidates on Schedule B2A-CAN and contributions made as approved expenditures on Schedule B2B-CAN. Although cash contributions and approved expenditures are reported on separate schedules, the same rules apply to both schedules. Apply the rules below to the total contributions that you make to a candidate or a committee including approved expenditures, not to each individual contribution that you make to that candidate or committee. CFR software users don't have to worry about schedules. The software automatically puts transactions on the right schedule.

Remember that contributions given to local or federal candidates are reported as expenditures on Schedule B1-EXP

Total contributions of \$200 or less to a candidate or a committee, including approved expenditures:

- Add these contributions together by type (in-kind, cash, and approved expenditures) and report the **total amount** for each type on the nonitemized line on the correct contribution schedule.
- Do not list the contributions individually.

Total contributions of more than \$200 to a candidate or a committee:

- Report each contribution or approved expenditure individually on the correct contribution or approved expenditure schedule.
- Report the entity's name and address, the entity's Board registration number, and the date and amount of the contribution. List multiple contributions separately under the entity's name and address.
- If the contribution was in the form of an approved expenditure, you also must list the name and address of the vendor paid and the item or purpose of the expenditure.

If the committee or fund makes a contribution and the actual contribution check is returned to the committee or fund, you do not report the contribution. If a contribution is returned to the committee or fund within 90 days of the date that it was deposited by the recipient, you do not have to include the contribution on your report. If using the CFR software, the committee or fund should, however, record the contribution and its return so that the CFR records will match

the committee or fund bank statements. If the contribution is returned to the committee or fund more than 90 days after it was deposited, you must record the refund as miscellaneous income.

If you have questions about how to report a contribution or a payment, you can contact the Board for help.

### **What are the reporting requirements just before an election?**

During election years, there is a gap between the last date for transactions included on the pre-primary-election report and the date of the primary election. There is another gap between the last date for transactions included on the pre-general-election report and the general election. During these two time periods, you must report to the Board any contributions or allocation of association money to its political fund that your committee or fund receives that total more than \$1,000. The report is due within 24 hours if you file it electronically or by the next business day if you file it in person. You may not file this report by U.S. Mail. The triggering amount is the total of all contributions received from the same donor during the 24-hour notice period. You don't count contributions received before the beginning of the period because they will be included on your pre-election report.

The CFR software application will notify you if you have a 24-hour notice due and will guide you through the filing of the notice. The Board also has an on-line reporting system for these large contributions. It is called the 24-Hour On-Line Notice System. You can use this system to report large contributions even if you do not use the Board's CFR software. The Board gives all registered committees and funds a username and password to access the system.

For 2014, the 24-hour notice requirement is in effect during the following periods:

<b>24-hour notice requirement</b>		
<b>Election</b>	<b>First day in effect</b>	<b>Last day in effect</b>
Primary	July 21	August 11
General	October 20	November 3

The 24-hour notice period is based on the date that the committee or fund receives the contribution. If a contribution is given to a committee member, it is received on that date. That means that it is important for everyone to notify the treasurer of every contribution during the 24-hour notice period. If they do not, a reporting violation may occur because the treasurer did not know about the contribution.

The 24-hour notice report is a report filed with the Board, just like your regular reports. For that reason, it is subject to the same penalty for late filing, which is \$50 per day. If a treasurer does not manage the 24-hour notice requirement carefully, late fees of \$1,000 per unfiled 24-hour notice can easily result.



## **How do you fix mistakes on a report?**

After you have filed a report with the Board, you might discover that the report is incorrect or missing some information. After you discover the error, you have 10 days to file an amended report with the Board. If you feel that you will need more than 10 days to research a problem or gather bank records, contact the Board. The Board will provide limited extensions to the amendment period for good cause.

## **What penalties apply to reporting?**

The Board can charge a fee for late reports. The late fee is \$25 per day for year-end reports and \$50 per day for the other pre-election reports, up to a maximum of \$1,000. The late fees begin the day after the report is due, without notice. Please be sure to keep the reporting deadlines on your calendar. The late fee also applies to notices of large contributions that must be filed during each 24-hour notice period.

The Board can charge a penalty of up to \$1,000 for the following things:

- Not sending in a report after the Board has told the committee or fund that it is overdue;
- Not sending in an amended report after the Board has told you to do so; and
- Failing to keep records of contributions and spending.

The Board can seek a penalty of up to \$3,000 for the following actions:

- Signing and certifying a report to be true when the person knows that it contains false information or omits required information;
- Knowingly providing false or incomplete information to a treasurer with the intent that the treasurer rely on that information to certify the report;
- Knowingly failing to keep records of contributions and spending;
- Willfully failing to file an amended report;
- Failing to include the independent expenditure disclaimer on a communication; and
- Falsely claiming that an expenditure was an independent expenditure.

The Board also can impose an additional \$3,000 penalty on the committee or fund affiliated with a person who

- falsely certified a report;
- provided false information to the treasurer; or
- knowingly failed to keep records of contribution and spending.

## **Terminating the committee or fund and electing inactive status for a political fund**

### **Overview**

This chapter tells you how to put your political fund on inactive status. It also tells you how to end the operations of your committee or fund.

### **Topics covered**

- How do you put your political fund on inactive status?
- How do you terminate the operations of the committee or fund?
- What penalties apply to committees or funds when they are terminating?

### **How do you put your political fund on inactive status?**

Political funds often have little activity between election years. When a political fund has no activity in a reporting period other than receiving interest payments on its bank account or paying bank fees for that account, the fund is not required to file a report with the Board for that time period.

An association can formally put its political fund on inactive status. A fund on inactive status does not have to file reports with the Board and does not receive reporting notices from the Board.

To put your political fund on inactive status, you must send a written request to the Board. The Board will grant the request for inactive status unless

- the fund has not filed all of its required reports; or
- the fund has unpaid late fees or civil penalties that have not been waived by the Board.

A fund on inactive status can't receive any money other than interest on its bank account or spend any money other than bank fees to maintain that account. The Board will not send forms, notices of report due dates, and notices of late reports to an inactive political fund. A fund on inactive status can terminate its registration with the Board without returning to active status.

A political fund must return to active status, and notify the Board of this change, with 14 days after receiving or spending more than \$750 to influence elections. If the fund does not timely notify the Board, the Board will return the fund to active status on its own and notify the fund of this change.

### **How do you terminate the operations of the committee or fund?**

A committee or fund cannot stop operating until 1) it has \$100 or less in cash and property; and 2) it has submitted a termination report to the Board. The committee or fund cannot give its

assets away to anyone for personal use. The committee or fund can sell its assets to anyone at fair market value, including committee or fund members.

The committee or fund also can make contributions to candidate committees, political parties, and political committees and funds. A committee or fund also can make contributions to charities organized under section 501(c)(3) of the Internal Revenue Code.

A political fund that has money in its account that it received from the supporting association's general treasury funds may transfer that money back to the supporting association. Any assets that were purchased with money allocated to the fund from the parent association's general treasury funds also may be returned to the parent association. General treasury funds are funds that the association received from membership dues or fees, general donations to the association, or income from the operation of a business.

When the committee or fund has \$100 or less, you can terminate its registration with the Board by sending a termination report to the Board. The termination report is just like a regular report except that it covers from January 1 of the termination year through the date the committee or fund stopped operating. Terminating the political committee's or fund's registration with the Board means that no further reports will be required.

The treasurer or chair must keep the committee or fund records for four years after it terminates.

It is not unusual for committees or funds to be inactive for a time. But there is a limit on how long the committee or fund may stay registered without activity. A committee or fund must stop operating and terminate its registration when it has been four years since the reporting period in which the committee or fund made its last expenditure that it was required to report. A political fund in inactive status must terminate its registration when it has been four continuous years since the fund became inactive.

The Board will notify a committee or fund if it must terminate. The committee or fund then has 60 days to dispose of its assets and send in the termination report.

The termination of a committee's or fund's registration with the Board does not affect the liability of the committee or the fund or anyone associated with the committee or fund for the unpaid debts of the committee or fund.

### **What penalties apply to committees and funds when they are terminating?**

The Board can charge a penalty of up to \$1,000 for not keeping records for four years after the committee or fund terminates.

The Board also can charge a civil penalty of \$50 per day, up to a maximum of \$1,000, for not timely notifying the Board that a fund placed on inactive status has returned to active status.

## Common questions

### Overview

This chapter describes some important things that are not covered in detail in the previous sections. It also tells you how to report some common transactions that occur during fundraisers.

### Topics covered

- How to get a federal tax ID number (EIN) for political purposes
- Fundraising reporting examples
- Conducting raffles or drawings
- Conducting auctions
- Having policies to help control your money
- Criminal penalties

### How to get a federal tax ID number (EIN) for political purposes.

1. Go to this link: <https://sa2.www4.irs.gov/modiein/individual/index.jsp>
2. When asked for the type of organization, check the bottom button for “other” types of organizations.
3. On the next page, select “Political Organization”
4. When asked for the reason for the EIN, select “Banking Purposes”
5. The responsible person is an “individual” who should be the treasurer and may need to be changed if the treasurer changes.
6. When asked, the person should indicate that they are an authorized officer of the entity.
7. For the legal name, use the committee’s or fund’s name.
8. Check the button that says you will NOT be filing the form 8871. This form is not filed by state committees.
9. When asked if you will need employee forms, select "No". (Unless your committee or fund will actually have paid employees. If you fall into this category, seek legal assistance.)
10. When asked how you wish to receive your number, by mail or online, select online. Otherwise you can wait weeks to get the number.
11. Review and print your application information. If it is all correct, click the Submit button.

## **Fundraising reporting examples**

All money received from a fundraiser attendee is a contribution, regardless of whether the attendee received food and beverages, entertainment, or benefits such as a golf outing. The only way that you can exclude fees from the attendee's contribution is if the fees were paid directly to the provider of the services, such when the attendee paid the greens fees directly to the golf course.

The examples below explain recordkeeping and reporting for a typical fundraising event and a golf tournament.

The committee or fund holds a dinner as a fundraiser. Tickets to the dinner are \$20 for students and \$125 for everyone else. Anyone who pays \$250 or more can attend a private pre-dinner reception with the event's guest speaker.

The committee or fund must keep records of all the money collected at the fundraiser as contributions. The committee or fund also must keep records of any goods or services donated for the fundraiser by individuals or registered committees. The details recorded will depend on the amount of the contribution.

For contributions of \$20 or less, the committee or fund must record only the total amount received. The committee or fund does not need to record any donor information for these small contributions.

For contributions of more than \$20 to \$200, the committee or fund must record the name and address of the donor along with any Board registration number.

For contributions of more than \$200, the committee or fund must record the donor's name, address, Board registration number, if any, and employer or occupation.

All the costs related to the fundraiser are expenditures for the committee or fund holding the event. The payments for expenses, or the value of those items if they were donated, are recorded on Schedule B1-EXP for expenditures.

For all cash and in-kind expenditures, you must record the following information:

- the date and amount of the payment or in-kind expenditure;
- the name and address of the vendor;
- a description of the item or service purchased; and
- the Board registration number of any entity to which you make a payment

If the committee or fund holds a golf tournament fundraiser and charges \$200 per person, the committee or fund would report the entire \$200 as a contribution. The committee or fund would not deduct the cost of greens fees or cart rentals from the \$200. Instead, the committee or fund

would report these expenses as expenditures. If attendees pay their greens fees directly to the golf course, those fees do not count as contributions to the committee or fund. The golf course cannot offer reduced greens fees that are not available to other groups. If the golf course did offer reduced fees, it would be a contribution to the committee or fund from a corporation, which is against the law.

### **Conducting raffles or drawings**

Raffles could be considered charitable gambling and might not be legal for a political fundraiser. You should read "Frequently Asked Questions about Raffles, Lawful Gambling, and Political Campaign Financing." This is a flyer put out by the Gambling Control Board, which regulates charitable gambling. It is available on the Board's website at <http://www.cfboard.state.mn.us/issues/raffles.pdf>. You also can call the Gambling Control Board at (651) 639-4000 if you are considering having a raffle or a drawing as part of a fundraiser.

### **Conducting auctions**

When the committee or fund collects goods for an auction, remember the following things:

- Don't accept any contributions from corporations, either directly or indirectly; and
- Don't accept contributions worth more than \$200 from groups that are not registered with the Board unless the group gives you a financial disclosure form.

When the committee or fund holds an auction, the items donated for the auction are in-kind contributions to the committee or fund from the people who give the items. You must record every in-kind contribution that is more than \$20. The items must be valued at fair market value. You must add the value of all items given by a person to determine the amount of that person's contribution. You cannot treat each item separately.

If the total value of the item or items donated is less than \$20, you do not have to keep a record of the item(s). You may wish to keep a record for internal reasons.

If the value of the donated item is more than \$20, you must record the donor's name and address and Board registration number. If the donated item is worth more than \$200, you also must record the donor's employer or occupation.

A best practice tip is to create a contribution receipt form that has space for all the required information. On the form, you can tell people to give employment information only if the contribution is more than \$200.

Each item donated to the committee or fund for the auction that is worth more than \$20 also must be recorded as an in-kind expenditure. The vendor for the expenditure is the person who donated the item. The value is the fair market value of the item, which should be the same as

the value of the corresponding in-kind contribution. You also must describe the item in the committee or fund records. The date of the expenditure is the same date as the date of its receipt. A best practice tip is to record both the in-kind receipt and the in-kind expenditure at the time the item is accepted.

Fair market value is the price that someone would pay for the item in the open market. It does not include a premium that a person might pay for the item to help the seller.

The sale of the auction items is totally separate from the collection of those items. Everyone who buys something at the auction has made a cash contribution to the committee or fund holding the auction. Record these purchases as cash contributions. Do not reduce the amount of the contribution by the value of the item bought. You do not need to report the item bought to the Board but you may want to keep these records for internal purposes.

### **Having policies to help control your money**

It can be hard to keep track of contributions collected during fundraisers and for auctions. It is very important for the treasurer to keep control over these events. If more than one person will be collecting contributions at a fundraiser, for an auction, or just in the ordinary course of the committee's or fund's work, the treasurer should make sure that these people get the required information from the donors. A best practice tip is to create a receipt for every contribution. The receipt should include the donor's name, address, and employment information along with the date and amount of the contribution. The person collecting the contribution for the committee or fund should keep a copy of the receipt and give a copy to the donor. The treasurer should collect the copies of these receipts as soon as possible. All money and contributions also should be given to the treasurer right away. The treasurer also should keep any records related to fundraisers such as the bid sheet for an auction.

A committee or fund should have policies that ensure that the treasurer is the person in control of the money and that the money in the bank always balances out with the money shown on reports filed with the Board.

### **Criminal penalties**

Some violations of the campaign finance laws can be criminally prosecuted. For these violations, the Board could refer the matter to the Attorney General or to a county attorney. The attorney general or the county attorney would decide whether the matter should be charged as a crime. The Board itself does not charge or prosecute criminal matters.

Some of the violations that carry possible criminal penalties are listed in this handbook. In addition, the following violations of campaign finance laws may be charged as crimes:

- Filing a registration form knowing that it contains false information or omits required information;

- Knowingly providing false or incomplete information to a treasurer with the intent that the treasurer will use that information in certifying a report;
- Trying to get around the contribution limits by making contributions through another person or on behalf of another person;
- Falsely claiming that an expenditure was an independent expenditure;
- Failing to disclose an independent expenditure;
- Participating in the preparation or distribution of campaign materials that do not include the required disclaimer;
- Helping someone to violate the laws prohibiting corporate contributions; and
- Knowingly failing to keep records.



## **Getting help**

### **Overview**

This chapter tells you how to get help from the Board.

### **Topics covered**

[What is the role of Advisory Opinions?](#)

[Complaints](#)

[How do you contact the Board?](#)

### **What is the role of Advisory Opinions?**

The Board on occasion issues advisory opinions that provide the Board's interpretation of a statutory provision. Over the years, the Board has issued over 400 opinions which can be viewed and searched on the Board website at <http://www.cfboard.state.mn.us/Advisory.htm>. If you have a question about an advisory opinion, or wish to discuss the process for requesting an opinion from the Board, contact Board staff.

### **Complaints**

The Board enforces campaign finance laws by reviewing reports that people file with it. Of course, not all problems with campaign finances show up on filed reports. If you have reason to believe that a committee or fund is not reporting accurately to the Board, or in some other way has broken the campaign finance laws, you can file a complaint with the Board. If the complaint is about an activity under the Board's jurisdiction, and evidence is provided to show that the complaint has a reasonable basis, the Board will investigate. The information concerning the complaint is private until the Board publishes its decision.

### **How do you contact the Board?**

At the beginning of this handbook, we told you that we wouldn't try to answer every possible question you might have. We encourage you to call or e-mail the Board for help. We want your experience running a political committee or fund to be successful, and Board staff will try their best to provide you with the information you need for that to happen.

The Board has two email distribution lists that will keep you informed of campaign finance issues and updates to CFR. To subscribe to these lists, go to the Board's website and select "E-mail Notice Subscriptions."

## Staff Members

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## Who to Call for Help

Board Information  
Registration for All Programs  
Campaign Finance Reporting  
Lobbyists Reporting  
Economic Interest Statements  
Public Subsidy  
Advisory Opinions  
Campaign Finance Software  
Forms, Receipt Books, General Information  
All staff may also be reached at

Gary: (651) 539-1190  
Marcia: (651) 539-1187  
Joyce: (651) 539-1188  
Marcia: (651) 539-1187  
Elizabeth: (651) 539-1184  
Jeff: (651) 539-1189  
Gary: (651) 539-1190  
Gary B.: (651) 539-1186  
(651) 539-1180  
(800) 657-3889

## Email the board

Registration and Reports:  
Economic Interest Statements:  
General questions or comments:

[cfb.reports@state.mn.us](mailto:cfb.reports@state.mn.us)  
[cfb.eis@state.mn.us](mailto:cfb.eis@state.mn.us)  
[cf.board@state.mn.us](mailto:cf.board@state.mn.us)

**You may also contact the Board as follows:**

By telephone at (651) 539-1180 or toll free (800) 657-3889.

By TTY by calling (800) 627-3529 and asking for (651) 296-5148.

By fax to (651) 539-1196 or fax toll free (800) 357-4114.

By United States mail to:      Campaign Finance & Public Disclosure Board  
   190 Centennial Office Building  
   658 Cedar Street  
   St. Paul, Minnesota 55155-1603