

SENATE BILL REPORT

HB 2551

As of February 14, 2006

Title: An act relating to campaign contributions by limited liability companies.

Brief Description: Regulating campaign contributions by limited liability companies.

Sponsors: Representative Dunshee.

Brief History: Passed House: 2/11/06, 66-29.

Committee Activity: Government Operations & Elections: 2/16/06.

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Staff: Diane Smith (786-7410)

Background: The limited liability company is an alternative form of organizing a business. The limited liability company combines the tax advantages of a partnership with the limited liability advantages of a corporation. The limited liability company is a noncorporate entity which allows the owners to actively participate in management and provides them with limited liability. The limited liability company features limitations on transferability of interests, limited existence, and the possibility of owner management.

State law limits individual campaign contributions by an individual, a union or business, or a political action committee to a candidate for state legislative office to \$700, and to a candidate for statewide office to \$1,400. The limit applies for each election that the candidate appears on the ballot. Limits are also imposed on political parties, ranging from \$0.35 to \$0.70 per registered voter in the candidate's district. These dollar amounts are adjusted for inflation by the Public Disclosure Commission every two years.

State law also determines the attribution of campaign contributions when an entity or individual controls another entity. For example, a contribution by a political committee with funds that have all been contributed by one person who exercises exclusive control over the distribution of the funds of the political committee is deemed a contribution by the controlling person. A second example relates to subsidiaries of a corporation: If a corporation has multiple subsidiaries, branches, or departments (subsidiaries), two or more subsidiaries of a corporation are treated as a single entity for purposes of campaign contributions if one of the two or more subsidiaries is participating in an election campaign or making contributions.

Summary of Bill: Two or more limited liability companies (LLCs) are treated as a single entity for campaign contribution purposes if one of the two or more LLCs is participating in an election campaign or making contributions and two or more members of the LLCs are the same person.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.