
State Government & Tribal Relations Committee

HB 1426

Brief Description: Concerning campaign contributions by controlled entities.

Sponsors: Representatives Mena, Reed, Fosse, Street, Simmons, Bateman, Ramel, Pollet and Ormsby.

Brief Summary of Bill

- Specifies that political campaign contributions made by different entities are aggregated for purposes of campaign contribution limits when the entities are directed or controlled by the same individual or the majority of the same persons.
- Provides that a limited liability company may make campaign contributions only if it has been in existence for at least a year and has filed a declaration that the company is a legitimate business, not created for the sole purpose of making campaign contributions.

Hearing Date: 1/27/23

Staff: Jason Zolle (786-7124).

Background:

State law limits the amount of money that individuals and groups, including corporations and political committees, may contribute to a candidate who is running for office. Those limits are set in statute and adjusted for inflation by the Public Disclosure Commission (PDC). Currently, the limits are set at \$2,000 per election for statewide executive, judicial, and port commissioner candidates, and \$1,000 per election for state legislative and local office candidates.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

Contributions by one person or entity, including a political committee, may be aggregated for purposes of the campaign contribution limit in certain circumstances:

- A contribution by a political committee is attributed to a person or entity if the funds have all been contributed by one person or entity and that person or entity exercises exclusive control over the distribution of the funds.
- Two or more entities are treated as a single entity if one of them is a subsidiary, branch, or department of the other.
- Contributions made by a person or entity, including a political committee, that are financed, maintained, or controlled by a trade association, labor union, or collective bargaining organization, are attributed to that organization.

The PDC has enacted rules to clarify when two entities are treated as a single entity and share a contribution limit. Examples of affiliated entities include: a corporation and its subsidiary; a national union and a state body of the union; and a trade association and a local unit of the association. In addition, two or more entities are treated as a single entity if one is established, financed, maintained, or controlled by the other. The PDC uses a multifactor test to determine this, which includes consideration of the ownership of voting stock, the authority to participate in governance, overlapping membership, and the provision or funding of goods and services for less than full value.

Summary of Bill:

Additional provisions are created to aggregate certain contributions for purposes of campaign contribution limits:

- If an individual directs or controls one or more entities contributions, the contributions of the individual and the entities are aggregated.
- If a majority of the same persons direct or control two or more entities contributions, the contributions of the entities are aggregated.
- If an entity that makes contributions is majority-owned by a person, its contributions are aggregated with the individual contributions of the owner and other entities that person majority-owns, unless the entities act independently in their contribution-making decisions.

Any limited liability company (LLC) that has registered with the Secretary of State, and is not classified as a corporation under federal tax codes, may make campaign contributions only if the company has: (1) been in existence for at least a year; and (2) electronically filed a declaration with the Public Disclosure (PDC) Commission stating that the LLC is a legitimate business with a legitimate business interest, and it was not created for the sole purpose of making contributions. The PDC must develop a method for filing this declaration and it must be made public on its website.

Appropriation: None.

Fiscal Note: Requested on January 20, 2023.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.