

Department of Legislative Services
2010 Session

FISCAL AND POLICY NOTE

Senate Bill 216 (Senator Frosh, *et al.*)
Education, Health, and Environmental Affairs

Campaign Finance - Affiliated Business Entities - Attribution of Contributions

This bill modifies and expands an existing provision that requires campaign contributions by related corporations to be considered as being made by one contributor, limiting the total amount of contributions those corporations can make. The bill expands the limitation to also apply to general or limited partnerships, limited liability companies (LLC), and real estate investment trusts, as well as corporations, specifying that campaign contributions made by two or more of those business entities are considered to be made by a single contributor if (1) one business entity is a wholly owned subsidiary of another; or (2) the business entities are owned or controlled by at least 80% of the same individuals.

The bill takes effect June 1, 2010, and only applies prospectively.

Fiscal Summary

State Effect: None. The bill does not directly affect State operations or finances.

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: With the exception of contributions to ballot issue committees, transfers between campaign finance entities, and in-kind contributions of a political party central committee, a person may not make, directly or indirectly, aggregate contributions within a four-year election cycle of more than \$4,000 to any one campaign finance entity or \$10,000 to all campaign finance entities.

Contributions by a corporation and any wholly owned subsidiary of the corporation, or by two or more corporations owned by the same stockholders, are considered as being made by one contributor.

Background: The State Department of Assessments and Taxation's (SDAT) 2007 annual report indicated at the time that LLCs were the preferred business entity type being formed by the public. Substantial numbers of corporations, limited partnerships, limited liability partnerships, and business trusts were also reported as being formed each year. The number of annual reports filed with SDAT by foreign and domestic LLCs has grown from approximately 61,100 in 2004 to approximately 103,300 in 2009, representing 39% of the annual reports filed (approximately 57% are filed by corporations).

It is not uncommon for LLCs to represent individual real estate holdings and the same group of individuals, or a variation of the same group, may own several LLCs for the purposes of managing separate real estate holdings or other investments. Under current law, these individuals could potentially contribute the maximum aggregate contribution amount several times over depending on the number of LLCs of which they are members.

Additional Information

Prior Introductions: SB 157 and HB 170 of 2009, received hearings in the Senate Education, Health, and Environmental Affairs Committee and the House Ways and Means Committee, respectively, but no further action was taken on either bill. In addition, similar bills were introduced in the 2003 through 2008 sessions.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, State Board of Elections, Department of Legislative Services

Fiscal Note History: First Reader - February 8, 2010
mpc/mwc

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