

Club finances: Staying out of jail

By Herb Engstrom, CDC Treasurer and Treasurer of the
Santa Clara County Democratic Club

and

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and CDC Northern California Trustee



Sponsored by

Santa Clara County Democratic Party
Steve Preminger, Chair
and
Diane Rolfe
SCCDP Director of Clubs

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Introduction

- Democratic Clubs are Political Action Committees (PACs)
- Section 527 of the US Tax Code
- Democratic clubs may have to report to:
 - The IRS (irs.gov)
 - The Federal Election Commission (fec.gov)
 - The California Fair Political Practices Commission (fppc.ca.gov)

What kind of committee are you?

- Different kinds of committees have different regulations to follow.
- The federal government considers you a “nonconnected committee.”
- The California state government considers you a “general purpose committee.”

Who has to file

- File a campaign finance report with the Federal Election Commission if
 - You raise \$1000 or more for a candidate in a federal election, or
 - You spend \$1000 or more on such a candidate.
- File with the California Fair Political Practices Commission if
 - You raise \$1000 or more for a candidate or ballot measure in a state election, or
 - You spend more \$1000 or more on such a candidate or ballot measure.

What are political activities requiring filing?

Raising or spending \$1,000 or more for:

- Contributions to candidates;
- Ballot measures;
- Precinct walking;
- Getting out the vote;
- Phone banking;
- Independent expenditures;
- Office expenses specifically for elections.



Setting up your club

1. File form SS-4 with the IRS
 - a. Obtain an Employer Identification Number (EIN)
 - b. Never use a personal social security number.
2. File form 8871 with the IRS to claim tax exemption under Sec. 527.
3. If required, file California Statement of Organization (Form 410) to the FPPC
4. If required, file Federal Statement of Organization - FEC Form 1



Why file?

- If you are a serious club, you'll raise serious money – thousands of dollars each year for Democratic candidates.
- Being a serious club gains you respect and influence in the political process. You become a player.

Why not file?

- Finance laws are aimed at campaigns for specific elections, campaigns that have a limited lifetime, not for clubs, which last forever.
- Once you file, you are required to file every year, forever, unless you dissolve the club and close your bank account.
 - You must file semiannually with the FEC in non-election years.
 - You must file quarterly and post election with the FEC in election years.



Why not file? Cont'd.

- You must file at least semiannually with the FPPC every year.
- In election years you must file more often for periods specified on the FPPC web site.
- Filing these reports is somewhat time consuming.
- You need a treasurer willing to take on these responsibilities.
- If there is an error (like failing to file on time) there may be stiff fines, for which the treasurer could be personally responsible.

Raising and Spending money

- Bipartisan Campaign Reform Act (aka McCain-Feingold) places restrictions on income and expenditures:
 - “Hard money” is money raised from individuals.
 - “Soft money” is raised from unions or corporations.
- McCain-Feingold requires only “hard money” be spent in federal elections.



Money, cont'd.

- Club money is usually hard and could be spent on both federal and state candidates, but:
- If you need to file with both the FEC and the FPPC, you must have separate bank accounts.
- If yours is a new club or inexperienced with filing, I suggest you begin filing only with the FPPC.

Where to file

- Federal forms
 - ◆ Federal Election Commission, 999 E Street, N.W., Washington, DC 20463
- State forms
 - ◆ Secretary of State, Political Reform Division, P.O. Box 1467, 1500 11th St., Room 495, Sacramento, CA 95814 (original and one copy)
 - ◆ Possibly your county Registrar of Voter (two copies), but not in Santa Clara County.



Where to find information

fec.gov

fppc.ca.gov



FEDERAL ELECTION COMMISSION

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2011 Reporting Dates



[Sign-up to receive e-mail notification when new reporting information is posted.](#)

(Note: Committees that provide an e-mail address on FEC Form 1, Statement of Organization, receive separate reminders shortly before reports are due.)

The PDF files on this web site may be viewed or printed using [Adobe Reader](#).

- [Printable Guide to 2011 Reporting \[PDF\]](#)
- [Chronological Listings on FEC Calendar](#)
- [Filing Frequency by Type of Filer](#)

[Filing Information](#)

[Compliance Map](#)

[Publications](#)

[Educational Outreach](#)

[Tips for Treasurers](#)

[Reporting Dates](#)

[Electronic Filing](#)

[Reporting Forms](#)

[Filing With Other Agencies - IRS](#)

[Senate & Presidential Campaign Committees\) & Parties\)](#)

[ies & Presidential Campaign Committees\)](#)

[Campaign Finance Reports and Data](#)

[Meetings and Hearings](#)

[Enforcement Matters](#)

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[Commission Calendar](#)

Special Elections:

- **California 36th Congressional District**
 - Prior Notice -- coming soon
 - Federal Register Notice -- coming soon
 - Special General: TBA
 - Special Runoff: TBA
- **New York 26th Congressional District**
 - Prior Notice -- coming soon
 - Federal Register Notice -- coming soon
 - Special General: TBA

Forms for PACs and Parties



Registration Toolkits for PACs and Parties

The complete package of forms and other information necessary to register a committee with the FEC.

Form 1

Statement of Organization [PDF] used to register parties and PACs..

Instructions [PDF]

Form 1 (SF)

Screen-fillable version of the Statement of Organization [PDF]

Form 1 (SF)

Screen-fillable version of the Statement of Organization with audio instructions for nonconnected PACs

Nonconnected

[PDF]

Form 1 (SF)

Screen-fillable version of the Statement of Organization with audio instructions for party committees [PDF]

Party

Form 1 (SF)

Screen-fillable version of the Statement of Organization with audio instructions for separate segregated

SSFs

funds [PDF]

IE-Only Letter

Letter independent expenditure-only committees may use in conjunction with Form 1, pending forthcoming Commission rulemakings.

Form 1M

Notification of Multicandidate Status [PDF] filed by parties and PACs.

Instructions [PDF]

Form 3L

Report of Contributions Bundled by Lobbyists/Registrants and Lobbyist/Registrant PACs [PDF] used by candidates, party committees and Leadership PACs to disclose bundled contributions forwarded by or credited to lobbyists, registrants and their PACs. Instructions [PDF]

Form 3X

Report of Receipts and Disbursements [PDF] filed by unauthorized committees, including PACs and party committees (includes Schedules A - L).

Instructions [PDF]

Form 4

Report of Receipts and Disbursements [PDF] filed by committees or organizations supporting a national nominating convention (includes Schedules A - D).

Instructions [PDF]

Form 8

Debt Settlement Plan [PDF] filed by committees attempting to settle debts for less than the full amount owed.

Instructions [PDF]

www.fppc.ca.gov



California

Fair Political Practices Commission

Top 5 Searches:

form 700

political reform act

independent expenditures

form 460

closure letters

[Home](#)[Candidates/Committees](#)[Filing Officers](#)[Ethics](#)[Press Center](#)[Enforcement](#)

Upcoming Events

February

Sun	Mon	Tue	Wed	Thu	Fri	Sat
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					

[Filing Deadlines](#)[Candidate Checklists & Forms](#)[Where to File Campaign Reports](#)[State Contribution Limits](#)

Warning

Advisory

No Violation

New: FPPC Publishes Enforcement Closure Letters

[More>>](#)

California
Fair Political Practices Commission
California Contribution Limits
Fast Facts

Candidates seeking a state office and committees that make contributions to state candidates are subject to contribution limits from a single source. Contributions from affiliated entities are aggregated for purposes of the limits. (Regulation 18215.1.) The chart below shows the current limits per contributor and type of office sought. The primary, general, special, and special run-off elections are considered separate elections.

Per-election Limits on Contributions to State Candidates
(For elections held on or after January 1, 2011)

Contributor	Legislature/CalPERS/CalSTRS	Statewide Except Governor	Governor
Person	\$3,900	\$6,500	\$26,000
Small Contributor Committee	\$7,800	\$13,000	\$26,000
Political Party	No Limit	No Limit	No Limit

Here's What's New at the FPPC:



[\(RSS\)](#)

Interested Persons' Meeting -
March 3, 2011

Meeting Agenda - February 10,
2011

Drawing Results - February 1,
2011

AB1743 Placement Agents

[Chairman's Advisory Task Force
on the Political Reform Act](#)

[Advice through email](#)

[YouTube](#)

[File a Complaint](#)

FPPC Toll-Free Number
1-866-ASK-FPPC (1-866-275-3772)
Open Monday-Thursday,
9:00am - 11:30am & 1:30pm - 3:30pm
[Request Advice](#)

[Contact Us](#)



Agendas



**The Political
Reform Act**



**FPPC
Regulations**



**Advice
Letters**



Form 700



**Campaign
Forms**



**Internet
Political
Activity**



**Special
Reports**



**Chairman's
Task Force**



**CAMPAIGN
2010**



**Gifts &
Behested
Payments**



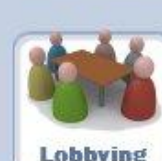
Publications



**Workshops
& Seminars**



**Conflict of
Interest**



Lobbying



**Leaving
Government
Service**



**About
The FPPC**



RSS Feeds

**Fair Political Practices Commission
Filing Schedule for Non-Electronic Filers
State General Purpose Recipient Committees (Except Political Party Committees)
November 2, 2010 Election Filing Schedule**

Deadline	Period	Form	Notes
Aug 2, 2010 <i>Semi-Annual</i>	See below - 6/30/10	<u>450</u> or <u>460</u> & possibly <u>465</u>	<ul style="list-style-type: none">File by personal delivery or first class mail.The July 31 deadline falls on Saturday, so the deadline is extended to the next business day.
Oct 5, 2010 <i>Pre-Election</i>	7/1/10 - 9/30/10	<u>450</u> or <u>460</u> & possibly <u>465</u>	<ul style="list-style-type: none">File by personal delivery or first class mail.Pre-Election Reports - File if contributions or independent expenditures totaling \$500 or more are made during the period covered by the statement.File Form 465 if the committee makes independent expenditures totaling \$1,000 or more to support or oppose a candidate or a ballot measure being voted on November 2 during the corresponding period.
Oct 21, 2010 <i>Pre-Election</i>	10/1/10 - 10/16/10	<u>450</u> or <u>460</u> & possibly <u>465</u>	<ul style="list-style-type: none">File by personal delivery or first class mail.Pre-Election Reports - File if contributions or independent expenditures totaling \$500 or more are made during the period covered by the statement.File Form 465 if the committee makes independent expenditures totaling \$1,000 or more to support or oppose a candidate or a ballot measure being voted on November 2.
Within 24 Hours <i>Late Reports</i>	10/17/10 - 11/1/10	<u>496</u> <u>497</u>	<ul style="list-style-type: none">File by personal delivery, guaranteed overnight service, or fax.496: File if an independent expenditure of \$1,000 or more is made in connection with a candidate or measure being voted on November 2.497: File if a contribution of \$1,000 or more is made in connection with a candidate or measure being voted on November 2 or made to a political party committee.
Jan 31, 2011 <i>Semi-Annual</i>	10/17/10 - 12/31/10	<u>450</u> or <u>460</u> & possibly <u>465</u>	<ul style="list-style-type: none">File by personal delivery or first class mail.

- Electronic Filing:** Please see filing schedule for E-filing if, since January 1, 2000, the committee receives contributions or make expenditures totaling \$50,000 or more. For more information, visit the Secretary of State's website at www.sos.ca.gov.
- Period Covered:** The period covered by any statement begins on the day after the closing date of the last statement filed, or January 1, if no previous statement has been filed.
- Issue Advocacy Report:** File this report if a payment or promise of payment of \$50,000 or more is made during the 45 days prior to an election for a communication that identifies a state candidate being voted on in the election but does not expressly advocate the election or defeat of the candidate. Use Form E-530 and file online only during the period 9/18/10 - 11/1/10.
- Paid Spokesperson:** A committee that makes an expenditure totaling \$5,000 or more to an individual to appear in an advertisement to support or oppose a ballot measure must report the expenditure within 10 days on Form 511.

California contribution limits

- In 2011 and 2012 a club can receive no more than \$6,500 from any one source in a calendar year. This limit is adjusted every two years.
- For each election in 2011 and 2012 a club can donate no more than:
 - \$3,900 to a state legislative candidate
 - \$6,500 to a statewide candidate except governor
 - \$26,000 to governor



Federal contribution limits

- A club can receive no more than \$5,000 per year from any source.
- A club can donate no more than \$2,500 per election to any federal candidate.
- Primary and general are considered separate elections.
- How do we know these things? Next slide!



Finding federal contribution limits

Go to web site fec.gov and click on:

1. Help with reporting and compliance
2. Then click on Publications
3. Then on Brochures
4. Then on Contributions
5. Then on Contribution limits
6. Then on Chart on limits for 2011 – 2012

Reporting requirements for donations received

- If you must file with the FPPC, then you must report every contribution of \$100 or more in a calendar year.
- If you must file with the FEC, then you must report every contribution of \$200 or more.
- Reports must include:
 - Name and address of donor
 - Employer and occupation of donor
 - Amount of donation and date received

Reporting requirements for donations, cont'd

- It is useful to record the above information for all donations regardless of amount.
- Sum up all contributions of less than \$100 (FPPC) and \$200 (FEC) and report these as unitemized.
- You may not accept a cash contribution of \$100 or more.
- Sum up all cash contributions and report these as cash contributions, unitemized.

Reporting requirements for expenditures

- Report any expenditure of \$100 or more to the FPPC.
- Report any expenditure of \$200 or more to the FEC.
- Include the following:
 - Name and address of vendor
 - Amount and date of expenditure
 - Brief description of reason for expenditure

Payments on your behalf

Suppose a member of your club buys a computer projector for \$800 at one store and a set of speakers for \$50 at another store. The total exceeds \$100, so how do you report this to the FPPC?

- Schedule E of Form 460 is used to report expenses.
- Report the name and address of the member.
- Report the total amount spent in the AMOUNT PAID column.
- Report the “subvendor’s” name (e.g. Fry’s) and address only if the expenditure is \$500 or more.
- Put the subvendor’s name, address, and amount indented and under the member’s name.

Schedule E Payments Made

Type or print in ink.
Amounts may be rounded
to whole dollars.

SCHEDULE E

Statement covers period

from 1/1/11

through 6/30/11

CALIFORNIA
FORM

460

Page 6 of 12

I.D. NUMBER

1234567

SEE INSTRUCTIONS ON REVERSE

NAME OF FILER

Your Democratic Club

CODES: If one of the following codes accurately describes the payment, you may enter the code. Otherwise, describe the payment.

CMP campaign paraphernalia/misc.

CNS campaign consultants

CTB contribution (explain nonmonetary)*

CVC civic donations

FIL candidate filing/ballot fees

FND fundraising events

IND independent expenditure supporting/opposing others (explain)*

LEG legal defense

LIT campaign literature and mailings

MBR member communications

MTG meetings and appearances

OFC office expenses

PET petition circulating

PHO phone banks

POL polling and survey research

POS postage, delivery and messenger services

PRO professional services (legal, accounting)

PRT print ads

RAD radio airtime and production costs

RFD returned contributions

SAL campaign workers' salaries

TEL t.v. or cable airtime and production costs

TRC candidate travel, lodging, and meals

TRS staff/spouse travel, lodging, and meals

TSF transfer between committees of the same candidate/sponsor

VOT voter registration

WEB information technology costs (internet, e-mail)

NAME AND ADDRESS OF PAYEE (IF COMMITTEE, ALSO ENTER I.D. NUMBER)	CODE OR	DESCRIPTION OF PAYMENT	AMOUNT PAID
Mary Member, 1234 Main St, Your City CA 99999 Fry's Electronics, 1321 Silicon Valley Rd Springfield CA 90000 (\$800)		Purchase of computer Projector System	\$850.00

* Payments that are contributions or independent expenditures must also be summarized on Schedule D.

SUBTOTAL \$

Schedule E Summary

- Itemized payments made this period. (Include all Schedule E subtotals.) \$ 1,614.21
- Unitemized payments made this period of under \$100 \$ 431.19
- Total interest paid this period on loans. (Enter amount from Schedule B, Part 1, Column (e).) \$ 0.00
- Total payments made this period. (Add Lines 1, 2, and 3. Enter here and on the Summary Page, Column A, Line 6.) TOTAL \$ 2,045.40

Payments on your behalf

Suppose a member of your club buys these same items. How do you report this to the FEC?

- Schedule B of Form 3X is used to report expenses.
- Report the name and address of the member in Section A.
- Report the total amount spent in the “Amount of Each Disbursement” box.
- Report the “subvendors’ ” names and addresses in Sections B, C, etc.
- Report only the amount paid to the member in the “SUSBTOTAL” BOX.

SCHEDULE B (FEC Form 3X)
ITEMIZED DISBURSEMENTS

Use separate schedule(s)
for each category of the
Detailed Summary Page

FOR LINE NUMBER:
(check only one)

PAGE **6** OF **12**

☒ 21b ☐ 22 ☐ 23 ☐ 24 ☐ 25 ☐ 26
☐ 27 ☐ 28a ☐ 28b ☐ 28c ☐ 29 ☐ 30b

Any information copied from such Reports and Statements may not be sold or used by any person for the purpose of soliciting contributions or for commercial purposes, other than using the name and address of any political committee to solicit contributions from such committee.

NAME OF COMMITTEE (In Full)

Your Democratic Club

Full Name (Last, First, Middle Initial)

A.

Mary Member

Date of Disbursement

Mailing Address

1234 Main St

03 / 05 / 2011

City

Your City

State

CA

Zip Code

99999

Purpose of Disbursement

Computer Projector System

Candidate Name

Category/
Type

Amount of Each Disbursement this Period

850.00

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For:

☐ Primary ☐ General
☐ Other (specify) ▼

State:

District:

Full Name (Last, First, Middle Initial)

B.

Fry's Electronics

Date of Disbursement

Mailing Address

4321 Silicon Valley Rd

02 / 19 / 2011

City

Springfield

State

CA

Zip Code

90000

Purpose of Disbursement

Computer Projector purchase

Candidate Name

Category/
Type

Amount of Each Disbursement this Period

800.00

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For:

☐ Primary ☐ General
☐ Other (specify) ▼

State:

District:

Full Name (Last, First, Middle Initial)

C.

Computer Central

Date of Disbursement

Mailing Address

222 Cobalt Ave.

02 / 19 / 2011

City

Springfield

State

CA

Zip Code

90000

Purpose of Disbursement

Audio speakers

Candidate Name

Category/
Type

Amount of Each Disbursement this Period

50.00

Office Sought:

☐ House
☐ Senate
☐ President

Disbursement For:

☐ Primary ☐ General
☐ Other (specify) ▼

State:

District:

SUBTOTAL of Disbursements This Page (optional).....▶

850.00

TOTAL This Period (last page this line number only).....▶

DETAILED SUMMARY PAGE of Disbursements

FEC Form 3X (Rev. 02/2003)

Page 4

II. Disbursements		COLUMN A Total This Period	COLUMN B Calendar Year-to-Date
21. Operating Expenditures:			
(a) Allocated Federal/Non-Federal Activity (from Schedule H4)			
(i) Federal Share			
(ii) Non-Federal Share.....			
(b) Other Federal Operating Expenditures			
(c) Total Operating Expenditures (add 21(a)(i), (a)(ii), and (b))			
22. Transfers to Affiliated/Other Party Committees.....			
23. Contributions to Federal Candidates/Committees and Other Political Committees.....			
24. Independent Expenditures (use Schedule E)			
25. Coordinated Party Expenditures (2 U.S.C. §441a(d)) (use Schedule F).....			
26. Loan Repayments Made.....			
27. Loans Made.....			
28. Refunds of Contributions To:			
(a) Individuals/Persons Other Than Political Committees			
(b) Political Party Committees			
(c) Other Political Committees (such as PACs).....			



Reporting requirements, caution

1. You must report your bank balance at the beginning of the reporting period.
2. You must report the sum of all contributions.
3. You must report the sum of all expenditures.
4. You must report your bank balance at the end of the reporting period.
5. Amounts in steps $1 + 2 - 3$ must equal the amount in step 4.

Filing with the State

- File semiannually by July 31 and January 31 in non-election years. Check FPPC web site for election year dates.
- Form 425: if no activity at all (You still have to file!)
- Form 450 - the short form: If contributions and expenditures are all less than \$100
- Form 460 - the long form: The usual form.
 - Schedule A: contributions \$100 or more
 - Schedule D: donations to candidates (These are also reported on Schedule E if \$100 or more.)
 - Schedule E: expenditures \$100 or more
- These forms are all downloadable from fppc.ca.gov



Filing with the State

- When your club has spent \$25,000 or more, you must file electronically.
- The FPPC has a list of organizations that have the software to file electronically.

Filing with the Feds

- File semiannually by July 31 and January 31 in odd numbered years
- In even numbered (election) years:
 - File by April 15, July 15, October 15, January 31;
 - File 12 days or sooner before any election in which the club has supported or opposed a federal candidate;
 - File within 30 days after general election.
 - But be sure and check the filing schedule!
- These forms are all downloadable from fec.gov.

Filing with the Feds

- Form 3X
 - Schedule A: contributions of \$200 or more
 - Schedule B: expenditures of \$200 or more
 - Schedule E: itemized independent expenditures of \$200 or more
- You can file electronically (but there is a learning curve that I found frustrating).
- If your raise and/or spend \$50,000 or more on federal election activities in a calendar year (or expect to), you must file electronically.



Citizens United v. Federal Election Commission

In 2010 the U.S. Supreme Court struck down certain sections of the McCain-Feingold Act. Corporations and Unions (and Clubs) are now allowed to spend unlimited amounts but only as independent expenditures. Most other restrictions remain as before.

Resources

- Call the FEC at 1-800-424-9530. The FEC will assign you an analyst that will answer questions. Office hours are east coast time.
- Call the FPPC at 1-866-275-3772. Same for FPPC. Hours are 9 – 11:30 AM and 1:30 – 3:30 PM, Monday – Thursday.
- cadem.org. California Democratic Party has people (Cha Cha Brown is one) on hand that will answer questions
- durkeeandassociates.com. Kinde Durkee is an accountant that often gives this very workshop for the CDC. Her company will file FEC and FPPC reports for you at a nominal cost. They will file electronically.
- Lance Olson is a lawyer that handles CDP legal issues. He gives a campaign finance workshop at nearly every CDP convention and E-board meeting, and he distributes copious notes.



Accounting software

Intuit.com provides:

- ☐ Quicken: Home
- ☐ Quickbooks: Business
 - Allows you to export address information
 - Allows you to define custom fields for employer and occupation of donors.



That's all, folks!

Thanks for coming
and good luck!