



2023-2024 General Assembly

HOUSE BILL 237: Various Criminal and Election Law Changes, Sec. 5 Reporting Requirements for Federal Political Committees and Other Political Organizations

Committee:		Date:	August 22, 2024
Introduced by:		Prepared by:	Hillary Woodard Staff Attorney
Analysis of:	S.L. 2024-16		

OVERVIEW: Section 5 of S.L. 2024-16, effective June 27, 2024, and applicable to contributions made or received on or after that date, restructures the reporting requirements for contributions made to candidate campaign committees and political committees in North Carolina by federal political committees and other political organizations. This bill was vetoed by the Governor on June 21, 2024, and the veto was overridden by the General Assembly on June 27, 2024.

CURRENT LAW: The State Board of Elections (State Board) and county boards of elections regulate contributions and expenditures in primaries and elections for elected office in North Carolina. The Federal Elections Commission regulates contributions and expenditures in primaries and elections for federal offices.

Contributions and Expenditures in North Carolina:

With respect to elections for office in North Carolina, G.S. 163-278.7A authorizes federal political committees to make contributions to state level political committees under certain circumstances. Generally, the federal political committee must do all of the following:

- Register with the State Board. According to the Campaign Finance Manual of the State Board, this registration must occur within 10 calendar days of making the first contribution to a North Carolina candidate or political committee, and on forms provided by the State Board.
- Comply with the reporting requirements specified by the State Board. According to the Campaign Finance Manual of the State Board, this means reporting on the same schedule as other political committees under G.S. 163-278.9, including quarterly reports in even-numbered years in which it is supporting or opposing a North Carolina candidate and semi-annual reports in other years.
- Appoint an assistant treasurer who is a resident of North Carolina.
- Stipulate to the State Board that that assistant treasurer is authorized to produce whatever records reflecting political activity in North Carolina that the State Board deems necessary.
- Make contributions within the specified generally applicable contribution limits, as follows:
 - Individuals. – A contributor cannot give, and a candidate cannot accept, more than \$6,400 per election. Election means primary, second primary and general election. A candidate or a candidate's spouse can contribute unlimited amounts to the candidate and are not subject to these limitations. G.S. 163-278.13.

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- Political committees. – Any national, State, district, or county executive committee of any recognized political party is exempt from the contribution limitations. A registered political committee, other than those exempt political party committees, can contribute \$6,400 per election to candidate committees. G.S. 163-278.13.
- Business entities. – It is unlawful for any corporation, business entity, labor union, professional association, or insurance company to directly or indirectly contribute to a candidate. G.S. 163-278.15.
- Lobbyists. – No lobbyist can make a contribution at any time to a member of the General Assembly or Council of State, or to a candidate that has been elected or appointed to the General Assembly or Council of State. G.S. 163-278.13C.
- Lobbyist principals, lobbyists, and associated PACs. – While the General Assembly is in regular session, no lobbyist principal, lobbyist, or PAC associated with a lobbyist principal can make a contribution to a member of the Council of State or General Assembly. G.S. 163-278.13B.

Federal Election Campaign Act: Political committees & political organizations:

A federal "political committee," as defined by the Federal Election Campaign Act, includes the following:

- Any committee, club, association, or other group of persons which receives contributions aggregating in excess of \$1,000 during a calendar year or which makes expenditures aggregating in excess of \$1,000 during a calendar year.
- Any separate segregated fund established under the Internal Revenue Code.
- Any local committee of a political party which receives contributions aggregating in excess of \$5,000 during a calendar year, or makes payments exempted from the definition of contribution or expenditure aggregating in excess of \$5,000 during a calendar year, or makes contributions or expenditures aggregating in excess of \$1,000 during a calendar year.

A "political organization," as defined in Section 527(e)(1) of the Internal Revenue Code, is "a party, committee, association, fund, or other organization (whether or not incorporated) organized and operated primarily for the purpose of directly or indirectly accepting contributions or making expenditures, or both, for an exempt function." An exempt function, as defined in Section 527(e)(2) of the Internal Revenue Code, is "the function of influencing or attempting to influence the selection, nomination, election, or appointment of any individual to any Federal, State, or local public office or office in a political organization, or the election of Presidential or Vice-Presidential electors, whether or not such individual or electors are selected, nominated, elected or appointed."

BILL ANALYSIS: Section 5 of S.L. 2024-16 does all of the following:

- For federal political committees organized pursuant to the Federal Election Campaign Act:
 - Provides that the federal political committee can make contributions to a North Carolina candidate or political committee, provided that it is not in excess of \$6,400 per election.
 - Replaces the current requirements that the federal political committee register with the State Board, comply with the State Board's reporting requirements, and appoint an assistant treasurer who is a resident of North Carolina with the following requirements for making contributions to candidates or political committees:
 - Comply with applicable reporting requirements and limits of federal law.

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- File a copy of the Statement of Organization filed with the Federal Election Commission with the State Board within 10 calendar days of the contribution, unless previously filed.
- Submit a copy of any regularly required report filed with the Federal Election Commission to the State Board within 10 calendar days of the filing for any federal filing period during which the contributing committee makes a permitted contribution.
- For both federal political committees organized pursuant to the Federal Election Campaign Act and other political organizations, as defined in section 527(e)(1) of the Internal Revenue Code and subject to the disclosure requirements of section 527(j) of the Internal Revenue Code:
 - Provides that the committee or organization cannot contribute to North Carolina candidates or political committees if it accepts contributions from a corporation, business entity, labor union, professional association, or insurance company. However, if the committee or organization accepts contributions from one of these prohibited sources and keeps those contributions in a segregated account, then the committee or organization can contribute to any national, State, district, or county executive committee of any political party or an affiliated party committee from the segregated account containing funds from sources not prohibited.
 - Requires the committee or organization making a contribution to do the following:
 - Comply with applicable reporting requirements and limits of federal law.
 - Within 10 calendar days of the contribution, file with the State Board (unless previously filed) a copy of either of the following, as applicable:
 - For federal political committees, the Statement of Organization filed with the Federal Election Commission.
 - For other political organizations, Internal Revenue Service Form 8871 (Political Organization Notice of Section 527 Status).
 - Within 10 calendar days of the filing for any federal filing period during which the contributing committee or organization makes a permitted contribution, submit to the State Board a copy of the following:
 - For federal political committees, any regularly required report filed with the Federal Election Commission.
 - For other political organizations, Internal Revenue Service Form 8872 (Political Organization Report of Contributions and Expenditures).
- Provides that the following are explicitly excluded from the definition of "political committee" in North Carolina:
 - A federal political committee registered with and reporting to the Federal Election Commission.
 - A federal political organization that files Internal Revenue Service Form 8871 (Political Organization Notice of Section 527 Status) and Internal Revenue Service Form 8872 (Political Organization Report of Contributions and Expenditures).

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EFFECTIVE DATE: This bill was vetoed by the Governor on June 21, 2024, and the veto was overridden by the General Assembly on June 27, 2024. Section 5 of S.L. 2024-16 became effective June 27, 2024, and applies to contributions made or received on or after that date.