



## Legislation Text

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**File #:** Res 0330-2018, **Version:** \*

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Res. No. 330

Resolution calling upon the New York State legislature to pass, and the Governor to sign, A.9758A/S.7149, in relation to the political expenditures of limited liability companies.

By Council Members Cabrera and Kallos

Whereas, Under New York State law, corporations have an annual cap of \$5,000 on their expenditures made for political purposes; and

Whereas, Limited liability companies ('LLC') are not explicitly named in the New York State Election Law section governing political activity by corporations; and

Whereas, In 1996, the New York State Board of Elections issued an advisory opinion that relied on a since repealed federal law designating LLCs as individuals, and thus subjecting LLCs to the campaign contribution limits and disclosure requirements for individuals; and

Whereas, As a result of this advisory opinion, LLC contributions are governed in a way inconsistent with all other corporate campaign contributions; and

Whereas, Individuals or entities repeatedly use separate LLCs to make multiple political donations up to \$150,000 per LLC in statewide elections, adding up to millions of dollars in combined donations tied back to one individual or entity; and

Whereas, The identities of LLC owners and partners are often masked as the New York State Department of State does not require LLCs to identify their members or managers; and

Whereas, New York State Assembly Member Simon and New York State Senator Kavanagh introduced A9758A/S7149, subjecting LLCs to existing contribution limits for corporations; and

Whereas, Under the proposed legislation, LLCs would be restricted to the same \$5,000 aggregate contribution limit as corporations, and all LLCs that make an expenditure for political purposes would need to disclose the identity of all direct and indirect LLC owners, with the percentage of ownership; and

Whereas, The bill would also require LLCs to attribute any contributions made by the LLC to its owners, in proportion to their ownership interest; and

Whereas, Removing the ‘LLC loophole’ would bring New York State Election Law into alignment with the Federal Election Commissions’ 1999 rule which treats LLCs as corporations or partnerships for the purpose of campaign contributions; and

Whereas, New York Public Interest Research Group found in 2013 that LLC contributions accounted for 14% of all money raised by statewide candidates and parties, more than three times the amount contributed by donors who gave \$1,000 or less; and

Whereas, New York City has one of the strongest and most transparent campaign finance systems in the nation by amplifying the value of small-dollar contributions through public matching in an effort to reduce the possibility and perception of corruption from large contributions; and

Whereas, The ability of individuals and entities to make virtually unlimited political expenditures in the state of New York via the LLC loophole hinders electoral competition and directly impacts the political representation of New York City residents at the state level; therefore, be it

Resolved, That the Council of the City of New York calls upon the New York State legislature to pass, and the Governor to sign, A.9758A/S.7149, in relation to the political expenditures of limited liability companies.

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4/25/18  
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