

# California Fair Political Practices Commission

## Multipurpose Organizations Reporting Political Spending

### (Including Nonprofits, Federal and Out-of-State PACs)

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#### Introduction

Effective July 1, 2014, multipurpose organizations spending on state and local elections must report the donors who are the sources of funds used for political purposes. Government Code Section 84222 was added to the Political Reform Act (Act)<sup>1</sup> to establish the campaign reporting requirements for multipurpose organizations that are actively spending in state and local elections. As the legislation (SB 27) emphasizes, the disclosure of donors provides voters with vital information on who is funding campaigns, increases transparency to deter actual or perceived corruption, and is an important means of gathering information to detect possible violations.

Significantly, the new law requires limited disclosure from multipurpose organizations and only after they satisfy a specified threshold of political contributions or expenditures in California. Generally, any person or group that raises funds from others of \$1,000 or more to make expenditures in California must register as a committee (“recipient committee”) and file campaign reports under the Act. (Gov. Code, § 82013(a).) These political committees report *all the contributions* they receive and *all their expenditures*. In contrast, multipurpose organizations that qualify as a committee under Government Code section 84222 (but not independently under section 82013), report only *their political expenditures* and the *sources of those funds*. For example, the California Heart Association or local parent teachers association would not report all its donors and all its expenditures. But if the association spends more than \$100,000 from its general funds for a ballot measure ad, it will report the expenditure and show the source of those funds, identifying its most recent donors of \$1,000 or more.

This fact sheet provides an overview of the types of nonprofit and other multipurpose organizations that must file campaign reports as California recipient committees as well as general reporting guidance.

#### A. What is a multipurpose organization?

Multipurpose organizations typically receive donations or other payments (e.g., membership dues) for purposes other than making political expenditures in California. They nevertheless may, at times, use some of these funds to make political expenditures to support or oppose California state or local candidates or ballot measures.

For purposes of the Act, multipurpose organizations include:

- Nonprofit organizations with tax exempt status under 501(c)(3) to 501(c)(10) of the Internal Revenue Code
- Federal and out-of-state political action committees (PACs)
- Trade and professional associations
- Civic and religious organizations

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<sup>1</sup> The Political Reform Act is contained in Government Code Sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in Sections 18110 through 18997 of Title 2 of the California Code of Regulations. All regulatory references are to Title 2, Division 6 of the California Code of Regulations, unless otherwise indicated.

- Fraternal societies
- Educational institutions

For purposes of the Act, multipurpose organizations do not include:

- Business entities
- Individuals
- Federal candidate controlled committees

(Gov. Code, § 84222(a).)

### **B. When does a multipurpose organization qualify as a recipient committee?**

In general, groups that are organized to support or oppose California candidates and/or ballot measures must form a recipient committee. (Gov. Code, § 82013(a).) Recipient committees must register with the California Secretary of State and file campaign statements to report all contributions and expenditures.

Effective July 1, 2014, the following multipurpose organizations that make contributions or expenditures to support or oppose state or local candidates or ballot measures in California must also register as recipient committees and file campaign statements to disclose their political expenditures and the sources of funds used for those expenditures. (Gov. Code, § 84222; Regulation 18422.)

- Organizations that make contributions or expenditures in California totaling more than \$50,000 in a period of 12 months or more than \$100,000 in a period of four consecutive years (Calendar Year Filers)
- Federal or out-of-state political committees that make contributions or expenditures in California totaling at least \$1,000 in a calendar year
- Organizations that solicit and receive payments from donors totaling at least \$1,000 for the purpose of making contributions or expenditures in California
- Organizations that accept payments from donors totaling at least \$1,000 subject to a condition, agreement, or understanding with the donor that all or a portion of the payments may be used for making contributions or expenditures in California
- Organizations that have existing funds from a donor and a subsequent agreement or understanding is reached with the donor that all or a portion of the funds may be used to make contributions or expenditures totaling at least \$1,000 in California

(Gov. Code, § 84222(c).)

Once a multipurpose organization qualifies as a recipient committee, the committee's treasurer should refer to the applicable campaign disclosure manual (i.e., Campaign Disclosure Manual 4 for general purpose committees) for specific reporting requirements. In addition, filing schedules with specific deadlines are available on the FPPC website.

**Exception – Nondonor Funds:** A multipurpose organization that uses only “nondonor funds” (e.g., investment income, capital gains, income from providing goods or services) to make contributions or expenditures will not qualify as a recipient committee; however, the organization may qualify as a “major donor committee” or an “independent expenditure committee.” (Gov. Code, § 82013(b) and (c).) In particular, an organization that makes contributions of \$10,000 or more from nondonor funds will qualify as a major donor committee. Similarly, an organization that makes independent expenditures of \$1,000 or more from nondonor funds will qualify as an independent expenditure committee. (Gov. Code, § 84222(b).) These committees have different reporting requirements and the committee should refer to the applicable campaign disclosure manual. (See [Campaign Disclosure Manuals 5 and 6](#).)

### **C. What are the registration requirements?**

A multipurpose organization that meets any of the criteria described above must register as a California recipient committee and file campaign reports disclosing contributions and expenditures. (Gov. Code § 84222(e).) The committee must file the Form 410 (Statement of Organization) with the Secretary of State; local committees must also file a copy with the local filing officer (i.e., city clerk or county elections office). Generally, the Form 410 must be filed within 10 days of qualifying as a committee.

In addition to completing the Form 410 as required by the form instructions, the following additional rules apply to nonprofits and other multipurpose organizations:

- **Committee Name and Description.** A multipurpose organization’s committee name must be the same as (or include) the name of the organization as used where it is otherwise registered (i.e., Federal Election Commission, Internal Revenue Service). In addition, one of the following descriptions must be included on specified reporting forms:
  - A nonprofit organization must include after its name “nonprofit 501(c)( ),” specifying the type of nonprofit organization from 501(c)(3) to 501(c)(10).
  - A federal or out-of-state political committee must include after its name “Fed PAC ID #” or the two letter state abbreviation such as “TX PAC ID #.”
  - Any other type of multipurpose organization must include after its name “multipurpose organization” or “MPO.”

**Note:** These descriptions must be included at the end of the committee’s name on the Statement of Organization (Form 410) and all other campaign statements (i.e., Form 460); however, the description is not required to be included in the committee’s name on advertisements and communications.

(Gov. Code, § 84222(e)(1)(A); Regulation 18422.)

- **Calendar Year Filer.** A multipurpose organization that qualifies as a recipient committee because its political payments are more than \$50,000 in a calendar year or more than \$100,000 in a four consecutive calendar year period automatically terminates at the end of the calendar year in which it qualified. The organization must indicate its calendar year status on the Form 410 in the manner described on the Form 410

instructions. An organization may elect to remain registered as a committee instead of terminating automatically by stating its intention to remain registered on its initial Form 410 or on an amended Form 410 filed prior to the end of the calendar year. (Gov. Code § 84222(e)(1)(B); Regulation 18422.)

- **Description of Organization’s Political Activities.** On page 3 of the Form 410, in the “Provide Brief Description of Activity” field, the organization must describe its mission or most significant activities and describe its political activities. This requirement may be met by referencing where the organization’s IRS Return of Organization Exempt from Income Tax form may be accessed. (Gov. Code, § 84222(e)(1)(A); Regulation 18422.)

**Exception – Sponsor Reporting on PAC Reports:** A membership organization that is the sponsor of a recipient committee is not required to register as a separate committee so long as the organization does not receive payments of \$10,000 or more in a calendar year from a single source. Such organizations may report contributions and expenditures on their sponsored committee’s campaign statement as described below. (Gov. Code, § 84222(e)(1).)

#### **D. What campaign statements are required?**

Generally, a multipurpose organization that qualifies as a recipient committee will have the same filing requirements as other recipient committees. (Gov. Code, § 84222(e).) The most commonly filed forms are briefly described below; however, depending on a committee’s activity, additional reports may be required. The appropriate [campaign disclosure manual](#) and [filing schedule](#) with specific reporting periods and deadlines should be reviewed. In addition, each of the [forms](#) contains detailed instructions.

#### **Form 460**

The Form 460 is the main campaign disclosure report and provides the public with an overview of the organization’s activity, including contributions and expenditures, during a specified period. The Form 460 is filed semi-annually and, depending on the organization’s activity, may also be required as a preelection statement.

#### **24-Hour Contribution Reports (Form 497)**

During the 90 days before an election, if the organization makes contributions of \$1,000 or more to a candidate, ballot measure committee, or political party committee, it must file the Form 497 within 24 hours. If an organization qualifies as a primarily formed committee, the Form 497 may also be required for contributions *received* of \$1,000 or more.

#### **Independent Expenditure Reports**

During the 90 days before an election, if the organization makes independent expenditures of \$1,000 or more to support or oppose a candidate or ballot measure, it must file the Form 496 (24-hour Independent Expenditure Report) within 24 hours. In addition, it must also file Forms 462 (Verification of Independent Expenditures) and 465 (Supplemental Independent Expenditure Report). Refer to the appropriate campaign disclosure manual and filing schedule for information about when and where to file these reports.

## E. Donor Disclosure

Pursuant to Government Code section 82222 and Regulation 18422, donors to the nonprofit or multipurpose organization are disclosed as contributors on a campaign statement as follows:

1. **Donors Giving for Political Purposes – Itemize at \$100.** State the full amount given and identifying information for all donors who made payments to the organization specifically for political purposes in California. In addition, donors who knew that all or a portion of their payments may be used for political purposes in California and donors who reached a subsequent agreement or understanding with the committee that all or a portion of their payments may be used for political purposes in California must also be listed. *These donors must be itemized if their payments total \$100 or more in a calendar year.*
2. **LIFO Donors – Itemize at \$1,000.** Report donors using a “last in, first out” accounting method to identify donors when the funds described above do not cover the entire amount of the contribution or independent expenditure made by the organization.<sup>2</sup> Identify donors to the general fund in reverse chronological order beginning with the most recent donor. Donor identification starts with the date the political expenditure was made. Each donor’s payment is included on the Form 460; however, *only donors of \$1,000 or more in a calendar year must be itemized.* Continue this method until a sufficient number of donors have been identified as contributors to account for the contribution or independent expenditure.  
*Note:* Calendar year filers must identify contributors using the LIFO accounting method no later than three business days following the expenditure.
3. **Organization Itself.** If these two classes of contributors do not account for the full balance of the group’s expenditures, the organization will identify itself as a contributor of the remaining balance.

### **Exceptions:**

Organizations need not identify the following payments received as “contributions”:

- **Restricted Funds.** A donation from a donor that prohibits the use of the donation for political purposes or designates or restricts the donation for purposes other than contributions or expenditures. (Gov. Code, § 84222(e)(2)(A)-(B).)
- **Foundation Funds.** A grant from a private foundation as defined by Internal Revenue Code section 509(a) that does not constitute a taxable expenditure under Internal Revenue Code section 4945(d)(1) or (d)(2). (Gov. Code, § 84222(e)(2)(C).)

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<sup>2</sup> An “independent expenditure” is a payment for a communication that expressly supports or opposes a clearly identified candidate or ballot measure, but the payment is not made to, at the behest of, or otherwise coordinated with the affected candidate or a committee formed to support or oppose the ballot measure. ([Gov. Code, § 82031.](#))

- **Calendar Year Filers.** Contributions and expenditures made in a prior calendar year are not required to be included on the reports filed for the calendar year in which an organization qualifies as a committee by making contributions or expenditures of more than \$100,000 in a period of four consecutive calendar years. (Gov. Code, § 84222(e)(3).)
- **Funds received prior to July 1, 2014.** A donation to the general funds made before the new legislation took effect, if the funds were not given or approved to be used on a candidate or ballot measure in California. (Gov. Code, § 84222(e)(4).)

## **F. Special Reporting Requirements**

### **Contributors to Federal PACs**

A federal political action committee that is filing campaign reports with the Federal Election Commission (FEC) is not required to re-itemize contributors on the Form 460, but the committee must disclose the total amount of contributions received, state that its contributors are listed on its federal report, and include the federal committee's name and identification number. (Gov. Code, § 84222(d)(2).) It must itemize its California expenditures.

### **Expenditures Made by Federal and Out-of-State PACs**

A federal or out-of-state political action committee is required to report its California expenditures; however, it is not required to itemize contributions and expenditures made to influence federal or out-of-state elections. These payments may be reported as a single expenditure and described as such. (Gov. Code, § 84222(d)(1).)

### **Sponsored Committees**

A membership organization that is the sponsor of a recipient committee may report its contributions and expenditures made from general funds on its committee's campaign statement so long as the organization does not receive payments of \$10,000 or more in a calendar year from a single source. The sponsor shall use the LIFO accounting method and must itemize contributors of \$1,000 or more. The sponsored committee must report all other contributions and expenditures in support of the committee by the sponsor, its intermediate units, and the members of those entities. (Gov. Code, § 84222(f)(1)-(2).)

## **G. Notifying Major Donors**

When a multipurpose organization uses the LIFO accounting method to identify donors, the organization is required to notify those donors that they may have filing obligations in the following situations:

- **Contributors of \$5,000 or more.** If a contributor of \$5,000 or more is identified using the LIFO accounting method, the organization must send a *major donor notice* to the contributor *within two weeks* informing them that they may be required to file campaign statements.

- **Contributors of \$10,000 or more in the 90 days before an election.** Within 90 days of an election, if a contributor of \$10,000 or more is identified using the LIFO accounting method, the organization must send a *major donor notice* to the contributor *within one week* informing them that they may be required to file campaign statements.
- **Contributors of more than \$50,000.** If a contributor of more than \$50,000 is identified using the LIFO accounting method, *and* the contributor is also a multipurpose organization, the recipient organization must send a *nonprofit filer notice* to the contributing organization stating that it may be required to register and file expedited campaign statements disclosing its donors (see “Expedited Filing” below). The notice must be provided *within 24 hours* during the 90-day period before an election and *within five business days* outside of the 90-day period.

(Gov. Code, §§ 84105 and 84222; Regulation 18422.)

## **H. Expedited Filing for MPO Contributors**

A multipurpose organization identified as a contributor by LIFO accounting that also qualifies as a recipient committee must register and file campaign statements of its own. The organization qualifies as a committee on the date it knows or has reason to know that it met the qualification thresholds by receiving notice from the recipient organization or being otherwise put on notice. The contributing organization must file a Statement of Organization (Form 410) and initial campaign statements *within 24 hours* following its committee qualification during the 16-day period before an election, and *within 10 business days* outside of the 16-day period. (Gov. Code, § 84222(e)(5); Regulation 18422.)

## **I. Recordkeeping**

A multipurpose organization must maintain all records necessary to ensure its compliance with the registration and reporting requirements of Government Code section 84222. (Regulation 18422(e).)

## **J. Committee Termination**

### **Calendar Year Filers**

A multipurpose organization that qualifies as a recipient committee because its political expenditures were more than \$50,000 in a calendar year or more than \$100,000 in four consecutive calendar years automatically terminates on December 31 of the year in which it qualified. A semi-annual statement is not required unless the organization has undisclosed contributions or expenditures to report, in which case termination occurs automatically upon filing the semi-annual statement due by January 31. An organization may elect to remain registered as a committee instead of terminating automatically by stating its intention to remain registered on its initial Form 410 or on an amended Form 410 filed prior to the end of the calendar year. (Gov. Code § 84222(e)(1)(B); Regulation 18422.)

## **Other Multipurpose or Nonprofit Organizations**

Any other multipurpose or nonprofit organization that qualifies as a recipient committee terminates in the same manner as other recipient committees. A final Form 460 must be filed showing a zero balance and a Form 410 termination statement must also be filed. See the Form 410 instructions for the requirements that must be met in order for a committee to terminate.

### **Examples:**

- ◆ *The Golden Rule Association provides educational services and receives its funds exclusively from teachers. The teachers do not designate their funds for political expenditures. In one calendar year, the association made a single contribution of \$60,000 to a ballot measure committee and made a payment of \$30,000 to a political law firm. The association qualifies as a recipient committee and must file a Statement of Organization (Form 410) and other campaign statements. The association must use the LIFO accounting method to identify donors up to the \$90,000 in political expenditures. If any teacher made payments totaling \$1,000 or more, the teacher's name, address, occupation and employer must be disclosed. The association's reporting obligations will terminate automatically at the end of the calendar year unless the association elects to stay registered by submitting a notice to the Secretary of State.*
- ◆ *A union has a sponsored committee. One year, the union makes two contributions, \$40,000 and \$30,000, to a ballot measure committee from the union's general dues account. The union may report the contributions on its sponsored committee's report and does not register as a separate committee. The sponsored committee's report must identify the donors that account for the \$70,000 in political expenditures using the LIFO accounting method. If any member made payments totaling \$1,000 or more, the member's name, address, occupation and employer must be disclosed. Alternatively, the union may establish a separate recipient committee and file a Statement of Organization (Form 410) and file its own campaign reports.*
- ◆ *Citizens for Public Libraries is a multipurpose organization. One year, the organization sent a mailer to its members asking for \$200 for the sole purpose of supporting library bond measures. Once \$1,000 was received, the organization qualified as a recipient committee, and was required to file a Statement of Organization (Form 410), and begin filing recipient committee campaign reports disclosing the full amount of each contribution. If the organization's political expenditures do not exceed the amount of the contributions raised for the bond measure, donors to the organization's general fund are not identified on a campaign statement.*
- ◆ *A trade association of city businesses raises money for charitable events in the community. One year, the association makes a \$45,000 contribution to a committee formed to support a city ballot measure. The association had not raised the money for political purposes and did not reach an agreement with donors that their payments may be used for political purposes. Therefore, the association does not qualify as a recipient committee required to report donors; however, it qualifies as a major donor committee and must file the Form 461 to report the contribution.*

◆ *Go Green is a multipurpose organization; its monthly dues payments range from \$500 to \$2,000 per member. One year, the organization made several contributions to state legislators totaling \$80,000 from its membership account. The organization's political fundraising efforts raised \$20,000 in donor payments of \$400 each. On the campaign statement, each donor that made a \$400 contribution specifically for political purposes must be itemized. In order to account for the additional \$60,000, the organization must identify donors to its membership account using the LIFO accounting method. A total of 100 donors were identified using LIFO to account for the \$60,000, but only donors whose payments totaled \$1,000 or more in a calendar year must be itemized on the campaign statement.*

◆ *A federal political action committee that files disclosure reports with the FEC made a single contribution in the amount of \$40,000 to a state ballot measure committee. The federal political action committee qualifies as a recipient committee and must file a Statement of Organization (Form 410) and other campaign statements. The committee is not required to itemize contributors on the Form 460; it may instead indicate that its contributors are listed on its federal report and state the federal committee's name and identification number.*

◆ *A professional organization provides a variety of services to its members, including insurance services that result in income to the organization. The organization makes political expenditures from the income producing account (nondonor funds), not from its membership dues account. Therefore, the organization does not qualify as a recipient committee. The organization is required to file reports as a "major donor" or "independent expenditure" committee if it makes, in a single calendar year, \$10,000 in contributions or \$1,000 in independent expenditures and briefly describe the sources of funds used.*

◆ *A national nonprofit association made a \$5,000,000 contribution from its general treasury to a state ballot measure committee thirty days before the election. The national association must register as a recipient committee in California and file appropriate campaign statements. If any donors to the national association whose funds were identified by the LIFO accounting method as contributors are also nonprofit organizations, and identified as contributing more than \$50,000, the national association must send a "nonprofit filer notice" to that nonprofit organization within 24 hours.*

*Each nonprofit organization that receives the notice must determine the source of the original payment to the national association. If the source, for instance, was funds from the nonprofit organization's general membership dues, the nonprofit organization must file a Statement of Organization (Form 410) and a Recipient Committee Campaign Statement (Form 460) identifying its donors within two days. If the nonprofit organization makes additional expenditures in California, those expenditures must also be reported.*

*Note: The national association must send the "major donor notification" to each nonprofit organization identified by the LIFO accounting method as a donor of \$5,000 or more within two weeks. A nonprofit organization identified as a donor of \$10,000 or more must be notified within one week if the national nonprofit's \$5,000,000 contribution was made during the 90 days before an election.*

**Reminder:** When using the LIFO accounting method to identify contributors, the organization need not identify a donor whose donation was received prior to July 1, 2014.

**Disclaimer:** The examples above are not meant to be all-inclusive; political expenditures made by multipurpose and other nonprofit organizations vary significantly. In order to ensure compliance, we recommend that organizations request assistance by sending all relevant facts to [advice@fppc.ca.gov](mailto:advice@fppc.ca.gov).