

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

H

2

HOUSE BILL 1845
Committee Substitute Favorable 6/20/06

Short Title: Permitted Use of Campaign Funds.

(Public)

Sponsors:

Referred to:

May 10, 2006

A BILL TO BE ENTITLED

AN ACT TO RESTRICT THE USE OF CONTRIBUTIONS TO CANDIDATES AND CANDIDATES' CAMPAIGN FUNDS TO THOSE RELATED TO CAMPAIGNS AND OFFICE-HOLDING DUTIES; TO PROHIBIT PERSONAL USE OF CONTRIBUTIONS BY CANDIDATES AND CANDIDATE CAMPAIGN COMMITTEES; AND TO STRENGTHEN REPORTING REQUIREMENTS TO PREVENT VIOLATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. Article 22A of Chapter 163 of the General Statutes is amended by adding a new section to read:

"§ 163-278.16B. Use of contributions for certain purposes.

(a) A candidate or candidate's campaign committee may use contributions only for the following purposes:

- (1) Expenditures resulting from the campaign for public office by the candidate or candidate's campaign committee.
- (2) Expenditures resulting from holding public office.
- (3) Contributions to an organization described in section 170(c) of the Internal Revenue Code of 1986 (26 U.S.C. § 170(c)), provided that the candidate or the candidate's spouse, children, parents, brothers, or sisters are not employed by the organization.
- (4) Contributions to a national, State, or district or county committee of a political party or a caucus of the political party.
- (5) Contributions to another candidate or candidate's campaign committee.
- (6) To return all or a portion of a contribution to the contributor.
- (7) Payment of any penalties against the candidate or candidate's campaign committee imposed by a board of elections or a court of competent jurisdiction.

(b) As used in this section, the term 'candidate campaign committee' means the same as in G.S. 163-278.38Z(3)."

1 **SECTION 2.** G.S. 163-278.8(e) reads as rewritten:

2 "(e) All expenditures for media expenses shall be made by a verifiable form of
3 payment. The State Board of Elections shall prescribe methods to ensure an audit trail
4 for every expenditure so that the identity of each payee can be determined. All media
5 expenditures in any amount shall be accounted for and reported individually and
6 ~~separately.~~ separately with specific descriptions to provide a reasonable understanding
7 of the expenditure."

8 **SECTION 3.** G.S. 163-278.8(f) reads as rewritten:

9 "(f) All expenditures for nonmedia expenses (except postage) of more than fifty
10 dollars (\$50.00) shall be made by a verifiable form of payment. The State Board of
11 Elections shall prescribe methods to ensure an audit trail for every expenditure so that
12 the identity of each payee can be determined. All expenditures for nonmedia expenses
13 of fifty dollars (\$50.00) or less may be made by check or by cash payment. All
14 nonmedia expenditures of more than fifty dollars (\$50.00) shall be accounted for and
15 reported individually and ~~separately.~~ separately with a specific description to provide a
16 reasonable understanding of the expenditure, but expenditures of fifty dollars (\$50.00)
17 or less may be accounted for and reported in an aggregated amount, but in that case the
18 treasurer shall account for and report that ~~he~~ the treasurer made expenditures of fifty
19 dollars (\$50.00) or less each, the amounts, dates, and the purposes for which made. In
20 the case of a nonmedia expenditure required to be accounted for individually and
21 separately with a specific description to provide a reasonable understanding of the
22 expenditure by this subsection, if the expenditure was to an individual, the report shall
23 list the name and address of the individual."

24 **SECTION 4.** G.S. 163-278.11(a)(2) reads as rewritten:

25 "(2) Expenditures. – A list of all expenditures required under
26 G.S. 163-278.8 made by or on behalf of a candidate, political
27 committee, or referendum committee. The statement shall list the name
28 and complete mailing address of each payee, the amount paid, the
29 purpose, and the date such payment was made. The total sum of all
30 expenditures to date shall be plainly exhibited. Forms for required
31 reports shall be prescribed by the Board. In accounting for all
32 expenditures in accordance with G.S. 163-278.8(e) and
33 G.S. 163-278.8(f), the payee shall be the individual or person to whom
34 the candidate, political committee, or referendum committee is
35 obligated to make the expenditure. If the expenditure is to a financial
36 institution for revolving credit or a reimbursement for a payment to a
37 financial institution for revolving credit, the statement shall also
38 include a specific itemization of the goods and services purchased with
39 the revolving credit. If the obligation is for more than one good or
40 service, the statement shall include a specific itemization of the
41 obligation so as to provide a reasonable understanding of the
42 obligation."

43 **SECTION 5.** G.S. 163-278.27(a) reads as rewritten:

1 (a) Any individual, candidate, political committee, referendum committee,
2 treasurer, person or media who intentionally violates the applicable provisions of
3 G.S. 163-278.7, 163-278.8, 163-278.9, 163-278.10, 163-278.11, 163-278.12,
4 163-278.13, 163-278.13B, 163-278.14, 163-278.16, 163-278.16B, 163-278.17,
5 163-278.18, 163-278.19, 163-278.20, 163-278.39, 163-278.40A, 163-278.40B,
6 163-278.40C, 163-278.40D or 163-278.40E is guilty of a Class 2 misdemeanor. The
7 statute of limitations shall run from the day the last report is due to be filed with the
8 appropriate board of elections for the election cycle for which the violation occurred."

9 **SECTION 6.** Sections 1 and 5 of this act become effective October 1, 2006,
10 and apply to all candidates and candidate campaign committees with active accounts
11 with the State Board of Elections or a county board of elections on or after that date.
12 Sections 2, 3, and 4 of this act become effective January 1, 2007, and apply to all
13 political committees and referendum committees with active accounts with the State
14 Board of Elections or a county board of elections on or after that date. The remainder of
15 this act becomes effective January 1, 2007.