

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2005

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HOUSE BILL 1845  
Committee Substitute Favorable 6/20/06  
Third Edition Engrossed 6/22/06  
Senate Judiciary I Committee Substitute Adopted 7/10/06

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 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 for violation of this Article imposed by a board of elections or a court of competent jurisdiction.

1           (8) Payment to the Escheat Fund established by Chapter 116B of the  
2           General Statutes.

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

5           (c) Contributions made to a candidate or candidate campaign committee do not  
6 become a part of the personal estate of the individual candidate. A candidate or the  
7 candidate who directs the candidate campaign committee may file with the board a  
8 written designation of those funds that directs to which of the permitted uses in  
9 subsection (a) of this section they shall be paid in the event of the death or incapacity of  
10 the candidate. After the payment of permitted outstanding debts of the account, the  
11 candidate's filed written designation shall control. If the candidate files no such written  
12 designation, the funds after payment of permitted outstanding debts shall be distributed  
13 in accordance with subdivision (a)(8) of this section."

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

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

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

22           "(f) All expenditures for nonmedia expenses (except postage) of more than fifty  
23 dollars (\$50.00) shall be made by a verifiable form of payment. The State Board of  
24 Elections shall prescribe methods to ensure an audit trail for every expenditure so that  
25 the identity of each payee can be determined. All expenditures for nonmedia expenses  
26 of fifty dollars (\$50.00) or less may be made by check or by cash payment. All  
27 nonmedia expenditures of more than fifty dollars (\$50.00) shall be accounted for and  
28 reported individually and ~~separately,~~ separately with a specific description to provide a  
29 reasonable understanding of the expenditure, but expenditures of fifty dollars (\$50.00)  
30 or less may be accounted for and reported in an aggregated amount, but in that case the  
31 treasurer shall account for and report that ~~he~~ the treasurer made expenditures of fifty  
32 dollars (\$50.00) or less each, the amounts, dates, and the purposes for which made. In  
33 the case of a nonmedia expenditure required to be accounted for individually and  
34 separately with a specific description to provide a reasonable understanding of the  
35 expenditure by this subsection, if the expenditure was to an individual, the report shall  
36 list the name and address of the individual."

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

38           "(2) Expenditures. – A list of all expenditures required under  
39 G.S. 163-278.8 made by or on behalf of a candidate, political  
40 committee, or referendum committee. The statement shall list the name  
41 and complete mailing address of each payee, the amount paid, the  
42 purpose, and the date such payment was made. The total sum of all  
43 expenditures to date shall be plainly exhibited. Forms for required  
44 reports shall be prescribed by the Board. In accounting for all

1                   expenditures in accordance with G.S. 163-278.8(e) and  
2                   G.S. 163-278.8(f), the payee shall be the individual or person to whom  
3                   the candidate, political committee, or referendum committee is  
4                   obligated to make the expenditure. If the expenditure is to a financial  
5                   institution for revolving credit or a reimbursement for a payment to a  
6                   financial institution for revolving credit, the statement shall also  
7                   include a specific itemization of the goods and services purchased with  
8                   the revolving credit. If the obligation is for more than one good or  
9                   service, the statement shall include a specific itemization of the  
10                   obligation so as to provide a reasonable understanding of the  
11                   obligation."

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

13                   "(a) Any individual, candidate, political committee, referendum committee,  
14 treasurer, person or media who intentionally violates the applicable provisions of  
15 G.S. 163-278.7, 163-278.8, 163-278.9, 163-278.10, 163-278.11, 163-278.12,  
16 163-278.13, 163-278.13B, 163-278.14, 163-278.16, 163-278.16B, 163-278.17,  
17 163-278.18, 163-278.19, 163-278.20, 163-278.39, 163-278.40A, 163-278.40B,  
18 163-278.40C, 163-278.40D or 163-278.40E is guilty of a Class 2 misdemeanor. The  
19 statute of limitations shall run from the day the last report is due to be filed with the  
20 appropriate board of elections for the election cycle for which the violation occurred."

21                   **SECTION 6.** Sections 1 and 5 of this act become effective October 1, 2006,  
22 and apply to all candidates and candidate campaign committees with active accounts  
23 with the State Board of Elections or a county board of elections on or after that date.  
24 Sections 2, 3, and 4 of this act become effective January 1, 2007, and apply to all  
25 political committees and referendum committees with active accounts with the State  
26 Board of Elections or a county board of elections on or after that date. The remainder of  
27 this act becomes effective January 1, 2007.