



NEW YORK STATE SENATOR

Daniel L. Squadron

## Squadron Files to Force Committee Vote on Bill to Close "Llc Loophole"

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| ISSUE: **ELECTIONS, CAMPAIGN FINANCE**

### **LLCs Would No Longer Be "People" in NYS Elections**

#### **Squadron: Unlimited, Anonymous Contributions Pervert the Entire System**

NEW YORK – State Senator Daniel Squadron has filed a motion to force a committee vote this legislative session to close New York's infamous "LLC Loophole." His bill to enact this ethics reform (S.60), also sponsored by Assemblymember Brian Kavanaugh, has been stalled in the Republican-led Senate, pushing Squadron to use a procedural rule to force the legislation to be considered this legislative session. This "Motion for Committee Consideration" requires the bill to be considered in the Senate Elections Committee within 45 days.

The Senate Republicans excluded the LLC loophole measure in their one-house budget resolution, and it was not part of the ethics deals announced on Tuesday by Governor Cuomo and the State Assembly. These developments make it highly unlikely that this key reform will be included in the final budget, despite the provision's inclusion in the Governor's original executive budget, and the ethics packages of the Senate Democrats and the Assembly majority.

"It was promising that reform was put on the agenda this year -- since Albany really needs it," said State Senator Daniel Squadron. "But there's no reform more important than closing the LLC loophole, which allows unlimited sums of anonymous dollars to pervert the entire process, from elections to legislation. That's why this vote is so important if the Governor, the Assembly and the Senate fail to fix this in the budget."

On Thursday, March 12, Squadron pressed his Republican colleagues about their exclusion of the LLC loophole. State Senator John DeFrancisco responded to Squadron's inquiry on the LLC loophole by stating "I don't think it's a loophole, I think it's a way to raise money in a campaign." Over the course of that debate, DeFrancisco acknowledged an inconsistency in the ways LLCs interact with the state election system relative to partnerships, individuals, and corporations. He ceded that LLCs are currently treated as individuals rather than corporations, that LLCs have a higher contribution limit than corporations, and that there is no reporting requirement to identify the owners of an LLC as there is with partnerships. Despite this, DeFrancisco said "if it's in use by everyone, then it's not a loophole."

In New York elections, limited-liability companies are currently not treated as corporations, but as people, with the ability to donate up to \$60,800 to a statewide candidate per election cycle. LLC ownership is not disclosed under the current system, making it nearly impossible to track down contributions to the source of their funding. Thus, an individual can contribute unlimited sums to the political system through multiple LLCs without transparency or accountability. Of all the money raised by state-level candidates and party committees in New York, 14% is given by LLCs, three times the amount of small-level individual donors. Between 2005 and 2013, LLCs contributed over \$40 million to New York State candidates, parties and PACs.

S.60 treats LLCs as corporations -- not individuals -- to close the LLC loophole so that unlimited sums can no longer enter the political system without transparency or accountability. The bill also lowers the contribution limit for corporations (and, if it passes, LLCs) to \$1,000 from its current limit of \$5,000.

Once a Motion for Committee Consideration is filed, the chair of the committee must place the bill on an agenda and schedule a vote on the bill within 45 days. The Motion for Committee Consideration for S.60 was filed on March 4, which is 45 days before April 18.