



NEW YORK STATE SENATOR

Daniel L. Squadron

Squadron, Kavanagh, Electeds, Advocates Call To Close LLC Loophole In Budget

DANIEL L. SQUADRON January 11, 2016

| ISSUE: **LLC LOOPHOLE**, **CAMPAIGN FINANCE**, **REFORM**, **ALBANY REFORM**, **ETHICS REFORM**



January 8, 2016

The Honorable Andrew M. Cuomo
Governor of New York State
The Capitol
Albany, NY 12224

Dear Governor Cuomo:

Electeds: With LLC Loophole Protected by Senate Majority, Budget Best Chance for Reform

NEW YORK – Today, State Senator Daniel Squadron, Assemblymember Brian Kavanagh, and 42 co-sponsors of their bill to close the LLC Loophole (S.60/A.6975), called on Governor Cuomo to include closing the LLC Loophole in his Executive Budget proposal, and to ensure that it is closed in the final enacted budget. They were joined by good government groups, including Citizen Action, Citizens Union, Common Cause, LWVNYS, NYPIRG, and Reinvent

Albany. The LLC Loophole allows LLCs to contribute nearly unlimited sums of money to political candidates and committees across the state, often anonymously.

“As you know, the LLC Loophole doesn’t just enable wealthier people to give greater contributions, but enables contributors to exploit it to circumvent the contribution limits that apply to other individuals and businesses, often without even disclosing their true identities, making a mockery of fairness and transparency in our campaign finance system,” **wrote Squadron, Kavanagh, and their legislative colleagues to the Governor.** “Because of repeated efforts to block this reform by the Senate Majority, we request that you once again include closure of the LLC Loophole in your Executive Budget proposal and ensure that it is included in the final enacted budget.”

Squadron and Kavanagh’s bills to close the LLC Loophole passed the Assembly with broad bipartisan support in 2015, including Speaker Carl Heastie, but were blocked from a full Senate vote by the Senate Majority. The Loophole was created in 1996 by a Board of Elections (BOE) decision, which wrongly classified LLCs as individuals, undermining the campaign finance laws previously passed by the legislature. Squadron, Kavanagh, Senator Liz Krueger, and others are litigants in a Brennan Center lawsuit to reverse that BOE decision, which could also be achieved through legislation.

“The LLC Loophole undermines the integrity of our state government,” said **State Senate Daniel Squadron.** “As we consider more than a hundred and fifty billion dollars in spending, it’s critical we start to restore people’s faith in our government by closing the LLC Loophole. I’ll continue to work with the Governor, Assemblymember Kavanagh, colleagues, the Brennan Center, and advocates to make sure we close the LLC Loophole, once and for all.”

Assemblymember Brian Kavanagh said: “Last year, our multi-year effort to pass legislation to close the LLC Loophole succeeded in the Assembly, but in spite of Senator Squadron’s

tenacious leadership, the Senate Majority did not join us. We will not relent until New York takes this crucial step toward greater integrity and common sense by shutting this loophole—one of the most pernicious ways people circumvent our campaign finance laws. The budget negotiations are our best opportunity for success in 2016 and we're committed to working with the Governor to seize that opportunity."

"Some important reforms should be easier to achieve, and the elimination of the LLC loophole is one of them," said **Senator Michael Gianaris**. "There is no rationale for maintaining this much-maligned and incorrect interpretation of law that effectively eliminates any contribution limits for those willing to abuse it. We should correct this immediately and close the LLC loophole once and for all."

"The fact that current law allows LLCs to circumvent already generous contribution limits and give alarming amounts of money to individual political campaigns is enormously troubling," said **Assemblymember Didi Barrett**. "Closing the loophole is an important step in curbing the corrupting influence of money and beginning the process of restoring public confidence in our state government. The time is now!"

State Senator Brad Hoylman said: "The LLC loophole was 'Exhibit A' in the government's successful prosecutions of former Assembly Speaker Silver and former Senate Majority Leader Skelos. Companies routinely circumvent New York's campaign contribution limits by giving through multiple LLC entities, which has degraded the integrity of our elections and given certain interests outsized influence in both chambers of the legislature. I'm grateful to my colleagues Senator Squadron and Assembly Member Kavanagh for their ongoing work on this critical issue and look forward to working with them in the upcoming session to reform this outrageous provision of our election law."

“The LLC loophole allows wealthy companies and owners to circumvent the maximum limits on campaign contributions,” said **Assemblymember Harry Bronson**. “In New York, this behavior has led to the appearance of and sometime real impropriety. Additionally, the loophole results in a flood of untraceable money into campaigns. Ending this practice will bring transparency to the campaign finance system and start to rebuild the public’s trust in their elected officials.”

“The LLC loophole hurts everyday New Yorkers and contributes to a crisis of corruption in Albany, and it must be closed. New Yorkers are tired of excuses and buck passing - they want leadership. I urge Governor Cuomo to be the champion of reform that we so desperately need, and I’m proud to join Senator Squadron, Assembly Member Kavanagh, and my other colleagues in calling for the Governor to make LLC reform a line in the sand in his Executive Budget,” said **State Senator Liz Krueger**.

“Just last week, I was the first state legislator to sign onto a pledge to support efforts in the new legislative year to pass meaningful ethics legislation, including closing the LLC campaign finance loophole,” said **Assemblymember David Buchwald**. “As a co-sponsor of Assemblyman Kavanagh’s legislation to end the abuse of LLC contributions, I am proud to join my colleagues in calling on Governor Cuomo to continue to include this measure in his Executive Budget proposal.”

“The LLC loophole has made a mockery of our existing campaign finance laws and cries out for closing in the name of good government, unimpeachable ethics and fundamental fairness. The sooner this slick sieve of opaque campaign largess is plugged for good, the better,” said **State Senator Bill Perkins**.

“Closing the LLC loophole is an overdue, necessary step in strengthening ethics and curbing the negative influence of money in state and local governments. I look forward to finally

addressing this problem in this year's budget," said **Assemblymember Patricia A. Fahy**.

"The LLC Loophole serves to increase the cost of campaigns and allow certain groups to have unfair influence over the political system. Closing the loophole would prevent LLCs from circumventing the law, helping to foster the environment of transparency that is so important to emphasize in our campaign finance system," said **Assemblymember Sandy Galef**.

Assemblymember Shelley Mayer said: "Closing the LLC loophole is an essential step in restoring the public's trust in the political process. Voters are entitled to the confidence that their voices are heard regardless of how much money they have."

"Closing the LLC Loophole would serve as a step in the right direction to ensure fair elections and go a long way in restoring the public's trust in government. By including the proposal in the Executive Budget, New York would once again be sending a message that transparency and accountability are essential to the political process," said **Assemblymember Nily Rozic**.

"As we work to restore the integrity of our state government, campaign finance reform must be a top priority," said **Assemblymember Aravella Simotas**. "New Yorkers deserve fair elections free from the undue influence of outsized corporate contributions. Closing the LLC loophole is essential to bringing greater transparency to our political process, and I urge the governor to include this critical measure in this year's Executive Budget."

"The LLC loophole makes skirting our campaign finance laws legal. Fairness and transparency requires that we close this loophole this session," said **Assemblymember Zebrowski**.

Karen Scharff, Executive Director of Citizen Action of New York, said: "It's time for Albany to end the culture of corruption that puts CEO profits before the needs of working families. Closing the LLC loophole is an essential step toward achieving the comprehensive campaign

finance reform, including publicly funded elections, that will put government back in the hands of voters.”

“The LLC loophole has essentially rendered our state's campaign contribution limits meaningless and fosters a pay-to-play culture in New York State politics. This can no longer stand. Governor Cuomo must continue to show his commitment to restoring public integrity by again including language to close the loophole in his budget proposals. However, the fight for meaningful ethics reform cannot stop there, all of our state lawmakers must make the same commitment and pledge to close the LLC loophole,” said **Dick Dadey, Executive Director of Citizens Union**.

“Any lawmaker with a clean conscience should have no problem closing the LLC loophole, and signing on to our pledge to also ban/limit outside income, and increase transparency in discretionary funding. Two juries have made clear that the Albany status quo is not only unacceptable, it's criminal. New Yorkers expect action,” said **Susan Lerner, Executive Director of Common Cause/NY**.

“Closing the LLC loophole is an obvious and long overdue fix to limit contributions by special interests and help end “dark money” in the electoral system. This one small step is just the first of many reforms needed to reduce corruption in Albany. Legislators must close this loophole now,” said **Dare Thompson, President of LWVNYS**.

"In state politics LLC stands for the 'Loophole for Lotsa Cash.' It's no accident that LLCs are at the heart of the corruption scandals that have rocked the Capitol. Albany needs to can the LLC loophole, limit outside income, create greater budget transparency and boost ethics enforcement," said **NYPIRG Legislative Counsel Russ Haven**.

"The LLC loophole is legal corruption. LLCs are used by very rich people to legally bribe elected officials. It is very simple, Albany will remain mired in corruption until this loophole is closed," said **John Kaehny, Executive Director of Reinvent Albany**.

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RELATED LEGISLATION

2015-S60

- Introduced
- - In Committee Assembly
 - In Committee Senate
- - On Floor Calendar Assembly
 - On Floor Calendar Senate
- - Passed Assembly
 - Passed Senate
- Delivered to Governor
- Signed By Governor
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Relates to political contributions

December 17, 2014

In Senate Committee [Codes](#)

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Do you support this bill?