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DROWNING DEMOCRACY

HOW LLCs DONATE MILLIONS TO POLITICAL CAMPAIGNS



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Introduction

In 1996, the New York State Board of Elections decided that Limited Liability Companies (LLCs) should be treated as individuals under campaign finance law.¹ Because of its interpretation, for the last 20 years LLCs have been able to contribute near-unlimited sums of money to political candidates and committees across the state -- often anonymously. This report assesses the magnitude of the LLC loophole and shows how contributions from LLCs routinely violate the spirit of New York's campaign finance laws.

Over 11,000 LLC contributions to state campaigns were analyzed. In order to include a full calendar year of available data, analyzed contributions were made between January 2014 and January 2015. After determining which LLCs contributed over \$5,000, the maximum corporate contribution for a calendar year, analysis was done to identify the actual source of the contribution, where possible.

Some of the key findings include:

- The median contribution for an LLC was six times higher than the median contribution for an individual.
- Some corporations used multiple LLCs to contribute more than the \$5,000 corporate contribution limit.
- Multiple LLCs could be traced to single addresses, but actual LLC ownership information was often effectively obscured.

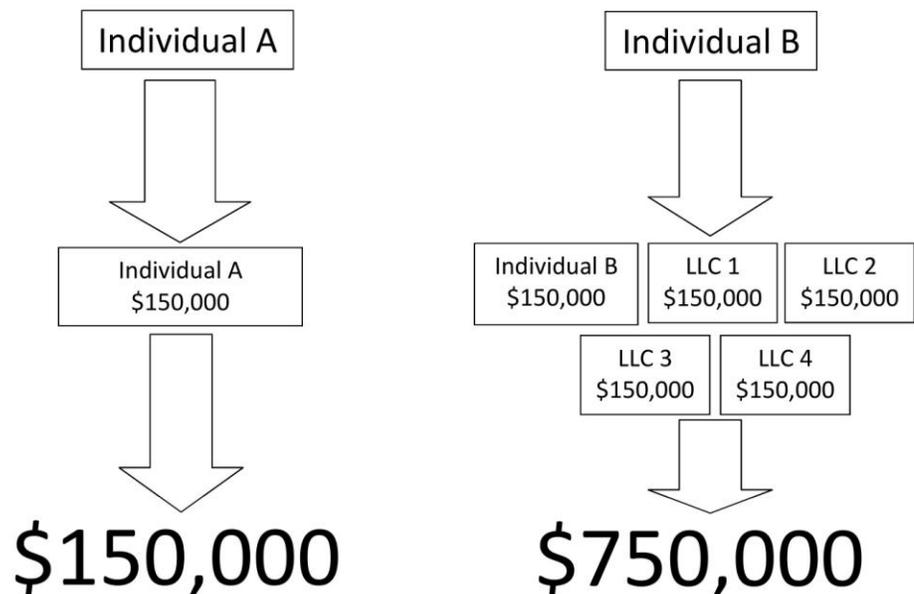
¹ <http://www.elections.ny.gov/NYSBOE/download/law/Opinions06302015.pdf>, pg 191-192

Background

LLCs were created under New York State law in 1994.² Some business owners may prefer to create LLCs because “there's no requirement for special meetings, extensive corporate records, or many other formalities.”³

When the Board of Elections decided that LLCs should be treated as individuals under campaign finance law, it specifically cited the Federal Election Commission's 1995 opinion that an LLC should be treated as an

How Individuals Can Take Advantage of the LLC Loophole



individual for federal contribution limits.⁴ The Federal Election Commission corrected its decision in 1999, treating LLCs as either corporations or partnerships depending on chosen tax status.⁵ But New York State failed to make the same correction.

² New York State Chapter 576 of the Laws of 1994

³ <http://www.legalzoom.com/knowledge/limited-liability-company/topic/limited-liability-company>

⁴ <http://www.elections.ny.gov/NYSBOE/download/law/Opinions06302015.pdf>, pg 191-192

⁵ Code of Federal Regulations, Title 11, Chapter I, Subchapter A, Part 110

Under the Board of Election's interpretation of campaign finance law, in 2014, an individual or an LLC could give:

- \$60,800 to a statewide campaign per election cycle
- \$16,800 to a State Senate candidate per election cycle
- \$8,200 to an Assembly candidate per election cycle

Unlike LLCs, corporations can only contribute \$5,000 overall to political candidates and committees in a calendar year.

Methodology

Financial disclosure reports were acquired from the New York State Board of Elections covering all state campaign contributions made between January 11, 2014 and January 10, 2015. Contributions were included for analysis if they were coded as an LLC in the data or contained LLC in the contributor name. LLCs that contributed over \$5,000 were entered into the Department of State's corporate database to determine the LLC Filer Name and address.

Findings

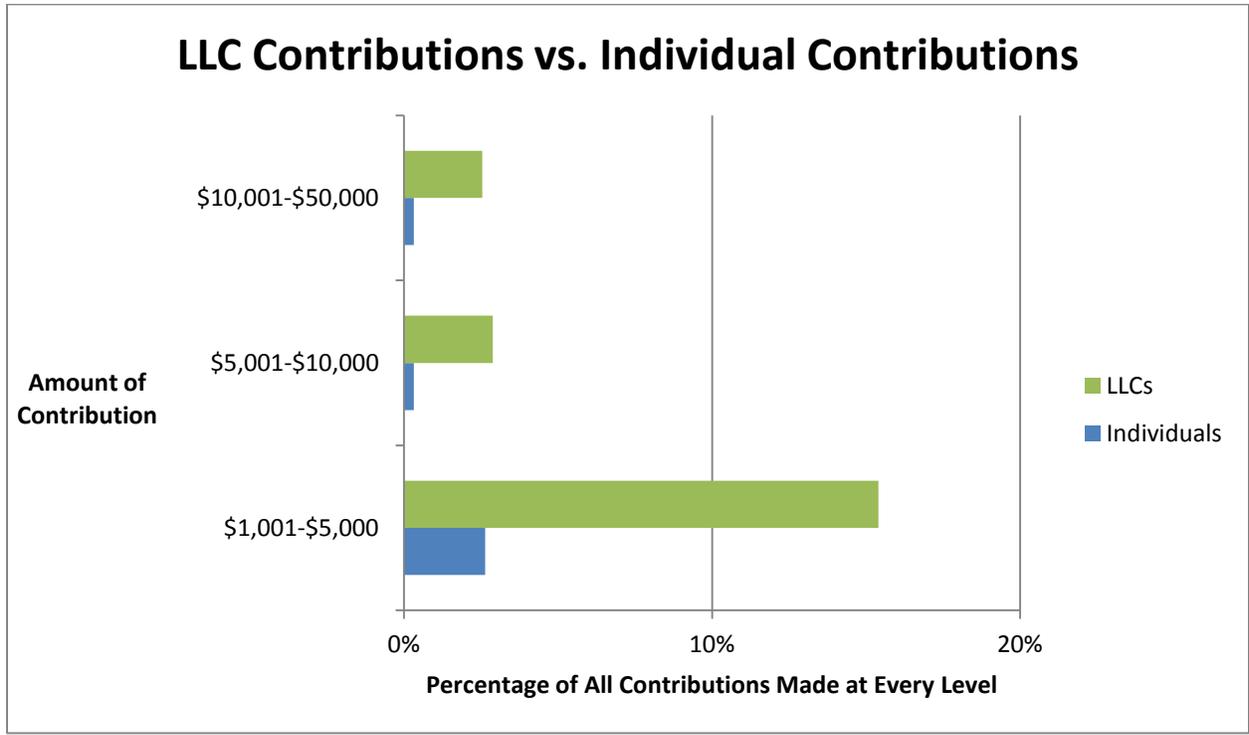
Key Finding #1: The Median Contribution For An LLC Was Six Times More Than The Median Contribution For An Individual.

LLCs contributed \$20.3 million in the 2014 filing year. 586 LLCs contributed over \$5,000, and 12 LLCs contributed over \$150,000. The chart below shows the 10 LLCs that contributed the most money during the 2014 filing year.

Top 10 LLC Givers

#	Name of LLC	\$ Contributed
1	TISHMAN SPEYER DEVELOPMENT LLC	\$304,800
2	HARRIS BEACH LLC	\$302,825
3	SL GREEN MANAGEMENT LLC	\$271,400
4	RELATED SALES LLC	\$234,650
5	HINMAN STRAUB ADVISORS LLC	\$183,700
6	MASTER TF LLC	\$179,700
7	EAST 77TH REALTY LLC	\$165,350
8	56TH REALTY LLC	\$164,100
9	DOLP 1133 PROPERTIES LLC	\$153,000
10	DOLP 1155 PROPERTIES LLC	\$152,000

The median LLC contribution was \$499.99, almost six times higher than the median contribution for individuals, \$83.34. LLCs were also six times more likely to contribute between \$1,001 and \$5,000 than individuals, nine times more likely to contribute between \$5,001 and \$10,000 than individuals, and eight times more likely to contribute between \$10,001 and \$50,000 than individuals.



Key Finding #2: Corporations Used Multiple LLCs To Contribute More Than The \$5,000 Corporate Contribution Limit.

Corporations used multiple LLCs that trace back to a single entity or address to evade the corporate contribution limit of \$5,000. For example, 22 different LLCs

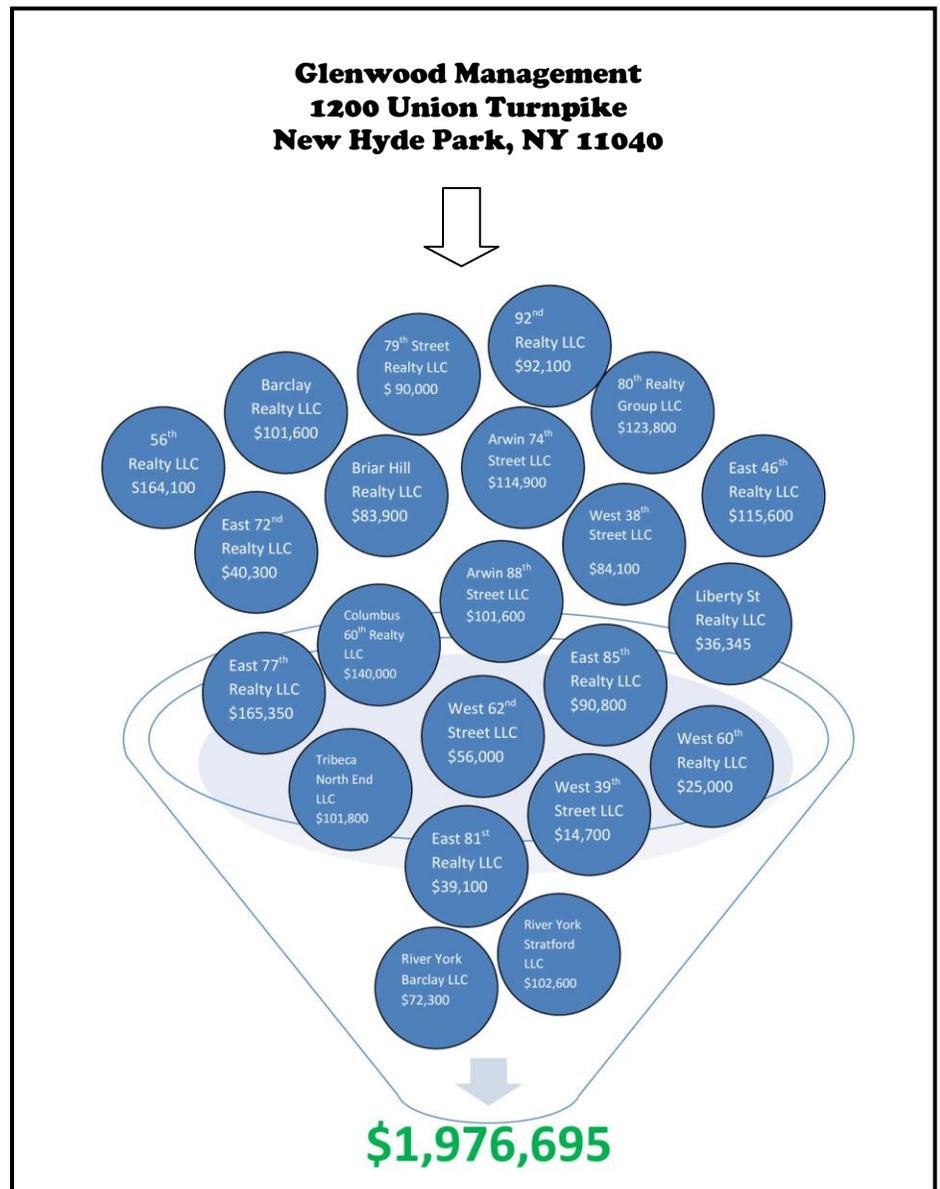
contributed nearly \$2 million, listing 1200 Union Turnpike in New Hyde Park as a contribution address.

1200 Union Turnpike is the address of Glenwood Management, showing that Glenwood far exceeded the \$5,000 corporate limit. A

similar analysis can be done to show that 8 different LLCs contributed \$630,000, listing 1111 Stewart

Avenue in Bethpage, the headquarters of Cablevision, as a contribution address. In total, there were 586 LLCs that contributed over \$5,000,

the corporate contribution limit. The following chart shows which addresses and



associated companies contributed the most money through LLCs during the 2014 filing year.

Top 10 Contribution Addresses (by \$)

#	Address	Potentially Associated Company ⁶	\$ Contributed	# of LLCs
1	1200 UNION TURNPIKE, NEW HYDE PARK	Glenwood Management	\$1,976,695	22
2	1111 STEWART AVENUE, BETHPAGE	Cablevision	\$630,000	8
3	60 COLUMBUS CIRCLE, NYC	The Related Companies	\$504,700	6
4	420 LEXINGTON AVENUE, NYC	SL Green Realty	\$361,600	3
5	99 GARNSEY ROAD, PITTSFORD	Harris Beach PLLC	\$309,250	2
6	1155 AVENUE OF THE AMERICAS, NYC	Durst Organization	\$309,149	6
7	11 WEST 42 STREET, 2ND FLOOR, NYC	Tishman Speyer	\$290,500	1
8	400 WEST 59 STREET, 3RD FLOOR, NYC	Brodsky Organization	\$221,000	6
9	210 EAST STATE ROUTE 4, PARAMUS (NJ)	Vornado Realty Trust	\$208,500	4
10	1 BRYANT PARK, 49 TH FLOOR, NYC	Durst Organization	\$199,550	7

⁶ In each instance, the listed associated company is the company that is most often connected to the address. There is potential that fully separate, unaffiliated LLCs make contributions from the same address.

Key Finding #3: Multiple LLCs Could Be Traced To Single Addresses, But Actual LLC Ownership Information Was Often Effectively Obscured.

Entities dividing their contributions through LLCs to avoid the corporate limit were only one part of the problem.

Regardless of the amount contributed, there were many instances of high numbers of LLCs contributing from a single address. In fact, there were 13 addresses where 20 or more LLCs were registered, including two addresses in New York City that both had over 100 LLCs contribute to state campaigns. The chart below shows the top

10 addresses that LLC contributions originated from and the number of LLCs contributing from each address.



Top 10 Contribution Addresses (by # of LLCs)

#	Address	# of LLCs	Total Contributed
1	1601 BRONXDALE AVENUE, BRONX	171	\$38,764
2	1345 3 AVENUE, NYC	112	\$46,464
3	145 HUGUENOT STREET, NEW ROCHELLE	57	\$105,100
4	1881 BROADWAY, NYC	56	\$12,250
5	295 MAIN STREET, SUITE 210, BUFFALO	43	\$40,150
6	150 GREAT NECK ROAD, SUITE 402, GREAT NECK	38	\$19,028
7	42 BAYVIEW AVENUE, MANHASSET	31	\$17,776
8	40 WEST 57 STREET, NYC	25	\$165,500
9(t)	138 ATLANTIC AVENUE, BROOKLYN	23	\$8,965
9(t)	3677 EAST TREMONT AVENUE, BRONX	23	\$17,600

These examples call into question whether these were distinct entities operating from a single address or whether this is a single entity that split its contributions among many different LLCs.

The same lack of transparency is apparent when analyzing the LLC’s filer name and address, which are filed with the New York Department of State when the LLC is formed. The analysis shows that 22 percent of LLCs contributing more than \$5,000 share the same filer name. It should be noted that some companies have the same filer name and filer address because they use a professional agent to register with the state. That does not mean the companies are necessarily related.

Top 10 Filer Names (by # of Associated LLCs)

#	Name	# Of LLCs	Total Contributed
1	CORPORATION SERVICE COMPANY	35	\$1,956,786
2	C T CORPORATION SYSTEM	16	\$564,425
3	ESTATES NY REAL ESTATE SERVICES LLC	10	\$113,900
4(t)	GLENWOOD MANAGEMENT CORP	9	\$1,024,950
4(t)	THE DURST ORGANIZATION INC	9	\$486,399
6	NATIONAL REGISTERED AGENTS INC	8	\$545,316
7	JACK RESNICK & SONS, INC.	5	\$109,000
8(t)	DONALD ZUCKER COMPANY, LLC	4	\$60,312
8(t)	THE ZUCKER ORGANIZATION	4	\$35,663
10(t)	THE BRODSKY ORGANIZATION	3	\$151,600
10(t)	ROCKROSE DEVELOPMENT CORP	3	\$95,000
10(t)	SAUL LERNER MANAGEMENT CORP.	3	\$52,000
10(t)	SAMSON MANAGEMENT	3	\$30,000

Top 10 Filer Addresses (by # of Associated LLCs)

#	Address	# of LLCs	Total Contributed
1	80 STATE STREET, ALBANY	35	\$1,956,786
2	111 8 AVENUE, NYC	23	\$848,341
3	1200 UNION TURNPIKE, NEW HYDE PARK	18	\$1,796,895
4	40 WEST 57 STREET, 23RD FLOOR, NYC	11	\$138,900
5(t)	1 BRYANT PARK, NYC	9	\$486,399
5(t)	101 WEST 55 STREET, NYC	9	\$104,891
7(t)	8300 REPUBLIC AIRPORT, SUITE 200, FARMINGDALE	5	\$170,000
7(t)	110 EAST 59 STREET, 34TH FLOOR, NYC	5	\$109,000
7(t)	302 WASHINGTON AVENUE EXT, ALBANY	5	\$87,900
7(t)	60 CUTTERMILL ROAD, SUITE 208, GREAT NECK	5	\$48,000
7(t)	145 HUGUENOT STREET, SUITE 503, NEW ROCHELLE	5	\$34,524

Conclusion

LLCs were responsible for contributing over \$20 million to political candidates and committees in 2014. Even though LLCs were treated as individuals, they, on average, contributed significantly more than individuals. In many cases, multiple LLCs could be traced to a single entity or address. And, in many cases, there was little information as to who actually controlled the contributing LLCs.

The LLC Loophole is inconsistent with NYS election law and the goal of empowering individuals in the political process. The LLC Loophole could be closed in New York State by:

1. *Reversing the 1996 Board of Elections decision that classified LLCs as individuals.* The Board of Elections can close the LLC Loophole by correcting its 1996 decision, which contravenes the letter and purpose of the state's campaign finance law to limit contributions and ensure transparency of the state's campaign finance law. In fact, a motion to reverse the 1996 decision was brought before the board in April 2015 and failed on a 2-2 vote.⁷ After the board's inaction, Senator Squadron joined the Brennan Center, along with Assemblymember Brian Kavanagh, Senator Liz Krueger and others, in suing the Board of Elections to close the LLC Loophole. The litigation is still pending.

2. *Addressing the LLC Loophole Legislatively.* In addition to asking the courts to apply the law as written, the LLC Loophole could also be closed legislatively. Two bills that would do just that are:

⁷ <http://www.timesunion.com/news/article/New-York-State-Elections-Board-fails-to-end-LLC-6205394.php>

Treating LLCs as Corporations (S60A/A6975B). Sponsored by Senator Squadron and Assemblymember Kavanagh, this bill, which passed the Assembly in 2015 with bipartisan support, would treat LLCs as Corporations under the election law, and thus subject an LLC to a \$5,000 aggregate contribution limit. The bill was blocked from coming up for a vote by the Senate Republican majority.

Treating LLCs as Partnerships (S2052/A2614). Sponsored by Senator Squadron and Assemblymember Kavanagh, this bill would treat LLCs as partnerships under the election law. Currently, partnerships are subject to a \$2,500 aggregate contribution limit. If a partnership contributes over \$2,500, the aggregate contribution is attributed to each partner whose share of the contribution is over \$99.

