

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2015

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SENATE BILL 493

Short Title: Political Party Funding Via Tax Return. (Public)

Sponsors: Senators D. Davis, McKissick, Lowe (Primary Sponsors); Bryant, Van Duyn, and Waddell.

Referred to: Rules and Operations of the Senate.

March 26, 2015

1 A BILL TO BE ENTITLED  
2 AN ACT TO REENACT AND MODIFY THE NORTH CAROLINA POLITICAL PARTIES  
3 FINANCING FUND AND THE MEANS BY WHICH THE FUND RECEIVES  
4 FUNDING.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** Article 22B of Chapter 163 of the General Statutes is reenacted as it  
7 existed immediately before its repeal and reads as rewritten:

8 "Article 22B.

9 "Appropriations from the North Carolina Political Parties Financing Fund.

10 **"§ 163-278.41. Appropriations in general election years and other years.**

11 (a) Following the conclusion of the last primary or nominating convention held by a  
12 political party in a general election year in which a presidential election is held, the State chair  
13 of that political party may apply to the State Board of Elections (State Board) for the  
14 disbursement of all funds deposited with the State Treasurer on behalf of that party in the North  
15 Carolina Political Parties Financing Fund (Political Parties Fund) to be administered by the  
16 State Board of Elections and in which shall be placed money contributed by taxpayers, as  
17 provided in G.S. ~~105-159.1-105-269.8~~. If the regular date set for a primary in G.S. 163-1 or  
18 nominating convention in G.S. 163-98 is temporarily postponed for one election year, the State  
19 party chair may apply for the disbursement after the regular date set in those sections for that  
20 party's primary or convention, even though the primary has not occurred under the temporary  
21 schedule. Upon receipt of that application, the State Board shall forthwith, and every 30 days  
22 thereafter, pay over to said chairman all funds currently held by the State Treasurer on behalf of  
23 that chair's political party, but provided that all such payments shall cease 30 days after the  
24 State Board of Elections has certified all of the results of the general election to the Secretary of  
25 State. Upon receipt of that application, the State Board shall pay over to the chair all funds  
26 currently held by the State Treasurer in the "Presidential Election Year Candidates Fund" of  
27 that party, which funds shall be allocated and disbursed during the presidential election year by  
28 the same procedure as the funds received from the Political Parties Fund are allocated. Any  
29 remaining funds of the political party in the hands of the State Treasurer shall thereafter be held  
30 by the State Treasurer until eligible for distribution pursuant to this section.

31 (b) Following the conclusion of the last primary or nominating convention held by a  
32 political party in a general election year in which there is not a presidential election, the State  
33 chair of the political party may apply to the State Board for the disbursement of all funds  
34 deposited on behalf of such party in the Political Parties Fund. If the regular date set for a  
35 primary in G.S. 163-1 or nominating convention in G.S. 163-98 is temporarily postponed for



1 one election year, the State party chair may apply for the disbursement after the regular date set  
2 in those sections for that party's primary or convention, even though the primary has not  
3 occurred under the temporary schedule. Upon receipt of such application, the State Board shall  
4 forthwith, and every 30 days thereafter, pay over to said chairman all funds currently held by  
5 the State Treasurer on behalf of that chair's political party provided that all such payments to  
6 the chairman shall cease 30 days after the State Board of Elections has certified all of the  
7 results of the general election. Any remaining funds of the political party in the hands of the  
8 State Treasurer shall thereafter be held by the State Treasurer until eligible for distribution  
9 pursuant to this section.

10 (c) In each year in which no general election is held, each State chair of a political party  
11 on behalf of which funds have been deposited in the Political Parties Fund may, on or between  
12 August 1 and September 1 thereof, apply to the State Board for payment of an amount not to  
13 exceed fifty percent (50%) of the then available funds credited to the account of that party.  
14 Upon receipt of such application, the State Board shall pay over to that State chair an amount  
15 not to exceed fifty percent (50%) of the then available funds credited to the account of that  
16 party. Additionally and upon receipt of that application, the State Board shall direct the State  
17 Treasurer to place fifty percent (50%) of those available funds in a separate interest bearing  
18 account to be known as the "Presidential Election Year Candidates Fund of the (name of the  
19 party) Party" to be disbursed in accord with the provisions of subsection (a) above. Any  
20 remaining funds of the political party in the hands of the State Treasurer shall thereafter be held  
21 by the State Treasurer until eligible for distribution by the State Board pursuant to this section.  
22 Any interest earned on the funds deposited in such Presidential Election Year Campaign Fund  
23 shall be credited thereto.

24 **"§ 163-278.42. Distribution of campaign funds; legitimate expenses permitted.**

25 (a) In a general election year in which a presidential election is held, every State  
26 chairman of a political party shall disburse fifty percent (50%) of all funds received from the  
27 North Carolina Political Parties Financing Fund to that political party. The remaining fifty  
28 percent (50%) of such funds shall be allocated by the special committee established by  
29 subsection (d) of this section and used for one or more of the purposes permitted by subsection  
30 (e) of this section. Any candidate may elect to decline in whole or in part any funds that the  
31 party chooses to distribute to the candidate.

32 (b) In a general election year in which there is not a presidential election, every State  
33 chairman of a political party shall disburse fifty percent (50%) of all funds received from the  
34 Political Parties Fund to that political party. The remaining fifty percent (50%) of such funds  
35 shall be allocated by the special committee established in subsection (d) of this section and  
36 used for one or more of the purposes permitted by subsection (e) of this section. Any candidate  
37 may elect to decline in whole or in part any funds that the party chooses to distribute to the  
38 candidate.

39 (c) In each year in which no general election is held, every State chairman of a political  
40 party shall disburse all funds received from the Political Parties Fund to that political party.

41 (d) The allocation of the remaining fifty percent (50%) of the funds under subsections  
42 (a) or (b) of this section shall be made by a committee composed of the State Chairman of that  
43 political party, the Treasurer of that party, the Congressional District Chairmen of that party,  
44 and a number of persons that shall not exceed the number of congressional districts in North  
45 Carolina appointed by the State Chairman of that party, and the State Chairman shall serve as  
46 Chairman of this committee. The allocation of funds shall be in the sole discretion of the  
47 committee, but must be for a purpose permitted by subsection (e) of this section and if allocated  
48 to a candidate, shall be disbursed by the State Chairman of that party only to the Treasurer of  
49 that candidate or committee appointed under Article 22A of this Chapter or under the Federal  
50 Election Campaign Act of 1971, Chapter 14 of Title 2, United States Code.

1 (e) A political party shall expend funds distributed from the Political Parties Fund or  
2 from the "Presidential Election Year Candidates Fund" only for legitimate campaign expenses.  
3 By way of illustration but not by way of limitation, the following are examples of legitimate  
4 campaign expenses:

- 5 (1) Radio, television, newspaper, and billboard advertising for and on behalf of  
6 a political party or candidate;
- 7 (2) Leaflets, fliers, buttons, and stickers;
- 8 (3) Campaign staff salaries, provided each staff member is listed by name and  
9 by the amount paid as salary and the amount paid as campaign expense  
10 reimbursement;
- 11 (4) Travel expenses, lodging and food for candidate and staff;
- 12 (4a) Expenses to ensure compliance with federal and State campaign finance and  
13 reporting laws;
- 14 (4b) Contributions to or expenses on behalf of candidates of that political party;
- 15 (5) Party headquarters operations related to upcoming general elections,  
16 including the purchase, maintenance and programming of computers to  
17 provide lists of voters, party workers, officers, committee members and  
18 participants in party functions, patterns of voting and other data for use in  
19 general election campaigns and party activities and functions prior thereto,  
20 the establishment and updating computer file systems of voter registration  
21 lists, State, district, county and precinct officers and committee member lists,  
22 party clubs or organization lists, the organizing of voter registration, fund  
23 raising and get-out-the-vote programs at the county level when conducted by  
24 State party personnel, and the preparation of reports required to be filed by  
25 State and federal laws and systems needed to prepare the same and keep  
26 records incident thereto.

27 (f) All moneys and funds previously designated by taxpayers being held by the North  
28 Carolina Secretary of Revenue and being held by the North Carolina State Treasurer which  
29 moneys and funds have not been disbursed or delivered to a political party as of June 16, 1978,  
30 when disbursed shall be allocated by the State Chairman of the political party as follows:  
31 sixty-two and one-half percent (62 1/2%) of such funds to the political party for legitimate  
32 general election campaign expenditures; thirty-seven and one-half percent (37 1/2%) to the  
33 eligible candidates as determined by the committee established under this Article.

34 (g) It shall be unlawful for any political party to use either directly or indirectly any part  
35 of funds distributed from the Political Parties Fund or the Presidential Election Year Candidates  
36 Fund of any political party for the support or assistance either directly or indirectly of any  
37 candidate in a primary election, for support or assistance relating to the selection of a candidate  
38 at a political convention or by the executive committee of a party, for the payment or  
39 repayment of any debt or obligation of whatsoever kind or nature incurred by any person,  
40 candidate or political committee in a primary election, the selection of a candidate at a political  
41 convention or by the executive committee of a party, or for the support, promotion or  
42 opposition of a national, State or local referendum, bond election or constitutional amendment.

43 **"§ 163-278.43. Annual report to State Board of Elections; suspension of disbursements;  
44 willful violations a misdemeanor; adoption of rules; reporting by candidates  
45 and political committees.**

46 (a) The State chairman of each political party receiving funds from the Political Parties  
47 Fund or the Presidential Election Year Candidates Fund or both shall maintain a full and  
48 complete record of the party's receipts and any and all subsequent expenditures and  
49 disbursements thereof, and such shall be substantiated by any records, receipts, and information  
50 that the Executive Director of the State Board of Elections shall require. Such record shall be  
51 centrally located and shall be readily available at reasonable hours for public inspection.

1 (b) By December 31 of each year, the State chairman of each political party receiving  
2 funds from the Political Parties Fund or a Presidential Election Year Candidates Fund in the 12  
3 preceding months shall file with the State Board of Elections an itemized statement reporting  
4 all receipts, expenditures and disbursements from the date of the last report and attached to  
5 such report shall be the verification of such chairman that all such funds received were  
6 expended in accordance with the provisions of this Article. If the Executive Secretary of the  
7 State Board of Elections determines and finds as a fact that any such funds were not disbursed  
8 or expended in accordance with this Article, ~~he~~ the Executive Secretary shall order such  
9 political party to reimburse the amount improperly expended or disbursed to the General Fund  
10 of the State and such political party shall not receive further disbursements from the Political  
11 Parties Fund or a Presidential Election Year Candidates Fund until such reimbursement has  
12 been accomplished in full. A copy of any such order shall be forwarded to the State Treasurer,  
13 which shall constitute notice to ~~him~~ the State Treasurer to suspend further disbursements from  
14 the campaign fund.

15 (c) Repealed by Session Laws 1985, c. 259.

16 (c1) The State Board shall review each application and certify that the political party is  
17 eligible to receive the funds requested. The State Board shall establish rules for the  
18 administration and enforcement of this Article.

19 (c2) The treasurer of any political committee or candidate receiving any funds from the  
20 Political Parties Fund or a Presidential Election Year Candidates Fund through a political party  
21 shall report such receipts as contributions according to the method and timetable set forth in  
22 Article 22A of this Chapter. The treasurer shall report disbursements of such funds as  
23 expenditures or loans according to the method and timetable set forth in Article 22A of this  
24 Chapter. The reports shall be made to the proper board of elections according to Article 22A of  
25 this Chapter. There is no requirement that a candidate or a political committee other than a  
26 political party shall maintain funds from the Political Parties Fund or a Presidential Election  
27 Year Candidates Fund in a separate account.

28 (d) Repealed by Session Laws 1985, c. 259.

29 **"§ 163-278.44. Crime; punishment.**

30 Any individual person, candidate, political committee, or treasurer who willfully and  
31 intentionally violates any of the provisions of this Article, shall be guilty of a Class 2  
32 misdemeanor.

33 **"§ 163-278.45. Definitions.**

34 (a) The terms "candidate," "expend," "individual," "person," "political committee," and  
35 "treasurer" as used in this Article shall be as defined in G.S. 163-278.6.

36 (b) The term "political party" as used in this Article shall be any political party qualified  
37 as provided in G.S. 163-96 which has maintained at least ten percent (10%) of the total  
38 statewide voter registration in the two years prior to the most recent general election year."

39 **SECTION 2.** G.S. 105-159.1 is reenacted as it existed immediately before its  
40 repeal, is recodified as G.S. 105-269.8, and reads as rewritten:

41 **"§ 105-269.8. Designation of tax by individual to political party.**

42 (a) ~~Every individual whose income tax liability for the taxable year is three dollars~~  
43 ~~(\$3.00) or more may designate on his or her income tax return that three dollars (\$3.00) of the~~  
44 ~~tax shall be credited.~~ Any taxpayer may elect on the taxpayer's tax return to contribute two  
45 dollars (\$2.00) to the North Carolina Political Parties Financing Fund. ~~Fund for the use of the~~  
46 ~~political party designated by the taxpayer.~~ In the case of a married couple filing a joint return  
47 ~~whose income tax liability for the taxable year is six dollars (\$6.00) or more, each spouse may~~  
48 ~~designate on the income tax return that three dollars (\$3.00) of the tax shall be credited to the~~  
49 ~~North Carolina Political Parties Financing Fund for the use of the political party designated by~~  
50 ~~the taxpayer.~~ return, each spouse may elect to contribute the amount authorized by this section.  
51 Amounts credited to the Fund shall be allocated equally among the political parties. ~~parties~~

1 according to the designation of the taxpayer. Where any taxpayer elects to designate but does  
2 not specify a particular political party, those funds shall be distributed among the political  
3 parties on a pro rata basis according to their respective party voter registrations as determined  
4 by the most recent certification of the State Board of Elections. As used in this section, the term  
5 "political party" has the same meaning as defined in ~~G.S. 163-96~~G.S. 163-278.45.

6 (b) Amounts designated under subsection (a) shall be credited to the North Carolina  
7 Political Parties Financing Fund on a quarterly basis. Interest earned by the Fund shall be  
8 credited to the Fund and shall be allocated among the political parties on the same basis as the  
9 principal of the Fund. The State Board of Elections, which administers the Fund, shall make a  
10 quarterly report to each State party chairman stating the amount of funds allocated to each party  
11 for that quarter, the cumulative total of funds allocated to each party to date for the year, and an  
12 estimate of the probable total amount to be collected and allocated to each party for that  
13 calendar year.

14 (c) Repealed by Session Laws 1983, c. 481.

15 (d) Return. – ~~The first page of the income tax return must give an individual the~~  
16 ~~opportunity to make the political contribution authorized in this section. The return or its~~  
17 ~~accompanying explanatory instructions must readily indicate that a contribution neither~~  
18 ~~increases nor decreases an individual's tax liability.~~The Secretary shall provide appropriate  
19 language and space on the income tax form in which to make the election. The taxpayer's  
20 election becomes irrevocable upon filing the taxpayer's income tax return for the taxable year.  
21 The return or its accompanying explanatory instructions must readily indicate that a  
22 contribution increases the individual's tax liability and that it will be equally allocated among  
23 the political parties.

24 (e) An income tax return preparer may not designate on a return that the taxpayer does  
25 or does not desire to make the political contribution authorized in this section unless the  
26 taxpayer or the taxpayer's spouse has consented to the designation."

27 **SECTION 3.** Section 2 of this act is effective for taxable years beginning on or  
28 after January 1, 2016. The remainder of this act is effective when it becomes law.