



Senate Fiscal Agency
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BILL ANALYSIS



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House Bill 5058 (Substitute S-1 as reported by the Committee of the Whole)
Sponsor: Representative Marty Knollenberg
House Committee: Redistricting and Elections
Senate Committee: Local Government and Elections

CONTENT

The bill would amend the Michigan Campaign Finance Act (MCFA) to do the following:

- Prohibit a candidate committee from making an expenditure to defend a public official and pay his or her legal costs, subject to certain exceptions, and make a violation a misdemeanor punishable by a maximum fine of \$1,000 and/or imprisonment for up to 90 days.
- Require a candidate's unauthorized legal costs to be paid from a separate legal defense fund.
- Eliminate a reference to an Internal Revenue Code (IRC) section in the definition of "incidental expense".

The Act allows a candidate committee of a candidate who is elected or appointed to an elective office to make an expenditure for an incidental expense for that office. "Incidental expense" means an expenditure that is an ordinary and necessary expense, as described in Section 162 of the IRC, paid or incurred in carrying out the business of an elective office. The term includes a number of qualifying disbursements, such as one necessary to assist, serve, or communicate with a constituent.

The bill would eliminate the reference to Section 162 of the IRC, which allows a tax deduction of all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business.

The bill would take effect on January 1, 2013.

MCL 169.209 & 169.221a

Legislative Analyst: Julie Cassidy

FISCAL IMPACT

The bill would create a new misdemeanor for improper spending of campaign funds. There are no data to indicate how many candidates would be found in violation of the proposed offense. In such instances, local units of government could see increased incarceration costs and/or increased costs of community supervision. The proposed penal fine of up to \$1,000 would benefit public libraries.

Date Completed: 6-12-12

Fiscal Analyst: Dan O'Connor