- Paying in advance for any use of corporate staff, customer/mailing lists, catering services and any other goods and services that the *corporation* does not supply in the ordinary course of business (AO 1997-15); and
- Having a diversified leadership ensuring that individuals *affiliated* with a particular incorporated entity will not form the majority of the committee's board.

Under these circumstances, the nonconnected *PAC* is not considered to be *affiliated* with the SSF of the incorporated entity. AOs 2000-20, 1997-26 and 1997-15.

11. Operating Costs

Using Treasury Funds

The costs of running the SSF (operating expenditures) may be defrayed with the treasury funds of the *connected organization*, that is, with funds derived from commercial activities or dues payments. 114.5(b).

Treasury money can be used, for example, to pay for office space, phones, salaries, utilities, supplies, bank charges and fundraising activities. 114.1(b). There are no dollar limits on these disbursements, and they are not reported to the FEC.

The *connected organization* may either pay these costs directly or establish a separate administrative account to be used solely for the SSF's administrative and fundraising expenses. The funds contained in the administrative account may never be commingled with the SSF's own funds, which are derived solely from lawful contributions. AOs 1981–19 and 1980–59.

Trade associations sponsoring SSFs can solicit their members for donations to their administrative accounts under certain circumstances. See Appendix C. Regarding the payment of operating costs generally, see 114.5(b).

Using the SSF's Own Funds

Although the law permits the *connected organization* to pay start-up, administrative and fundraising expenses for an SSF, the committee may use its own funds to pay those costs. (The SSF may also pay only some expenses, such as bank service charges that are automatically deducted from its account, while the *connected organization* pays others.) All disbursements by the SSF for these purposes are reportable as operating expenditures, as explained in Chapter 7.

Note that the *connected organization* may reimburse the SSF for those operating expenditures, provided that the reimbursement is made within 30 days of the SSF's disbursement. These reimbursements are reportable. 114.5(b)(3). See also AOs 2000-3 and 1983–22.

12. Incorporating the SSF

An SSF may incorporate for liability purposes. 114.12(a). Political committees that incorporate only for liability purposes may make lawful contributions and expenditures. Note that incorporation of a *political committee* does not diminish the treasurer's liability for the committee's compliance with campaign finance law.

13. Limited Liability Companies and SSFs

Under FEC regulations, a *limited liability company (LLC)* may be treated as a *corporation*, depending upon its tax status. An LLC that elects to be treated as a *corporation* by the Internal Revenue Service (IRS) or that has publicly traded shares will be treated as a *corporation* under FEC regulations and, therefore, may serve as the *connected organization* for an SSF. 114.1-114.13.

An LLC that elects to be treated as a partnership by the IRS is treated as a partnership under FEC regulations and may make contributions and serve as the sponsoring organization for a *nonconnected committee*.[5] 110.1(g)(2).

LLCs that elect to be treated neither as partnerships nor as corporations by the IRS are treated as partnerships according to FEC regulations. 110.1(g)(2). Regarding LLCs and *contribution* limits, see page 10 of this Guide and Appendix E.

5 See the *Campaign Guide for Nonconnected Committees*