



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Deborah McCoy, Treasurer
Federal Independent Campaign Committee
828 S. Wabash Suite 290
Chicago, IL 60605

OCT 17 2001

Identification Number: C00262923

Reference: Amended April Quarterly Report (3/2/00-3/31/00), dated 10/15/00

Dear Ms. McCoy:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your report discloses a returned check for an apparent allocable expense totaling \$14,460 on Schedule A supporting line 15 of the Detailed Summary Page. Schedule H3 discloses a transfer(s)-in from a non-federal account(s) for Direct Candidate Support/Advertising which appears to be the non-federal share of this allocable expense. Please be advised, the amount of the returned check must be allocated between the federal and non-federal accounts according to the same allocation ratio used to allocate the original disbursement and in addition the federal account must transfer the non-federal portion back to the non-federal account.

Please provide the Commission with a photocopy of the check for the transfer to your non-federal account, and disclose the transfer on the report during which it occurred (see enclosed example).

-Schedule H4 discloses a disbursement(s) which is categorized as direct candidate support; however, a Schedule H2 has not been filed to disclose the allocation ratio. All committees are required to allocate the payment for direct candidate support in which the committee collects both federal and non-federal funds. The costs are allocated according to the time and space method or funds received ratio and reported on Schedule H2. 11 CFR

§§106.5(f) and 106.6(d). Please file a Schedule H2 to disclose the ratio for the direct candidate support activity.

-Please amend your report by providing the mailing address for each disbursement itemized on Schedule H4 supporting Line 21(a).

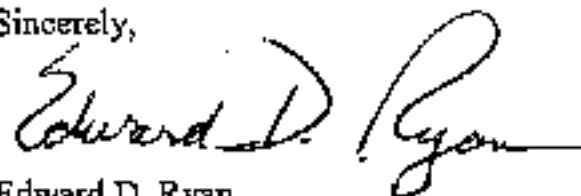
-Please clarify all expenditures made for advertising on Schedule(s) H4. If a portion or all of these expenditures were made on behalf of specifically identified federal candidates, this amount should be disclosed on Schedules B and E supporting Lines 23 and 24 include the amount, name, address and office sought by each candidate. 11 CFR §§104.3(b) and 106.1

-Your EVENT YEAR-TO-DATE calculations for Administrative/Voter Drive and Direct Candidate Support are incorrect. EVENT YEAR-TO-DATE totals for administrative and voter drive costs are derived by aggregating all disbursements during the calendar year for the whole Administrative/Voter Drive category. EVENT YEAR-TO-DATE totals for fundraising, direct candidate support, and exempt activities are derived by aggregating all disbursements during the calendar year within a specific event. These should be calculated by adding the latest disbursement for a category or event to the previous EVENT YEAR-TO-DATE total for that category or event. This running EVENT YEAR-TO-DATE total should be disclosed after each disbursement is listed. Please amend your report by providing the correct EVENT YEAR-TO-DATE totals.

-Please provide a Schedule A to support the entry reported on Line 13 of the Detailed Summary Page. All loans and loan repayments received by your committee must be itemized on Schedule A regardless of the amount loaned or repaid. 2 U.S.C. §434(b)(3)(B)

A written response or an amendment to your original report(s) correcting the above problem(s) should be filed with the Federal Election Commission within fifteen (15) days of the date of this letter. If you need assistance, please feel free to contact me on our toll-free number, (800) 424-9530 (at the prompt press 1, then press 2 to reach the Reports Analysis Division). My local number is (202) 694-1130.

Sincerely,



Edward D. Ryan
Reports Analyst
Reports Analysis Division

10. Refunds and Rebates of Allocable Expenses

If a committee receives a refund or a rebate of an allocable expense, the refund or rebate must be deposited in the federal or allocation account. The refund or rebate must then be allocated between the federal and nonfederal accounts according to the same allocation ratio used to allocate the original disbursement. The federal account must transfer the nonfederal portion to the nonfederal account.

Example

A committee receives a \$400 rebate on office equipment from the Acme Office Store. The original purchase was an administrative expense allocated according to the following ratio: 75 percent federal; 25 percent nonfederal.

Reporting Method 1 illustrates how this rebate would be reported according to the method approved in *Advisory Opinion (AO) 1995-22*. Reporting Method 2 shows how the rebate would be reported under an alternative method.

Reporting Method 1

Using the method of reporting described in AO 1995-22, the committee discloses the receipt of the rebate and the federal and nonfederal shares on Schedule H4. The amounts are negative entries subtracted from total shared federal and nonfederal disbursements for the reporting period (disclosed on Lines 21a(i) and (ii) of the Detailed Summary Page).

Reporting Method 2

Under the alternative method, the committee reports the receipt of the \$400 rebate under the category "Offsets to Operating Expenditures" on Line 15 of the Form 3X Detailed Summary Page. The committee uses Schedule H4 to disclose the federal account's \$100 transfer to the nonfederal account for the nonfederal share.

ALLOCATION OF REBATE (H4) (METHOD 1)

DISBURSEMENT SCHEDULE H4 (Form 1141)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				PAGE 1 OF 1 FOR LINE 21a
NAME OF COMMITTEE State Party Committee						
A. FULL NAME, Mailing address & ZIP CODE Acme Office Store 888 Dead End City, State ZIP	PURPOSE/RENT rebate	DATE 5/18/98	TOTAL AMOUNT (\$400.00)	FEDERAL SHARE (\$300.00)	NON-FEDERAL SHARE (\$100.00)	
CITY/STATE: <input checked="" type="checkbox"/> Admin/Non-Federal/Other		FUNDING SOURCE: <input checked="" type="checkbox"/> Other				
FEDERAL SHARE: \$300.00		NON-FEDERAL SHARE: \$100.00				

This entry shows the receipt of the \$400 rebate and the federal and nonfederal allocated shares. All the amounts are in parentheses to indicate that they are negative entries, that is, the amounts are subtracted from the corresponding Schedule H4 totals (thus reducing the federal and nonfederal shares of disbursements). The year-to-date total is also reduced by the amount of the rebate.

RECEIPT OF REBATE (A/LINE 15) (METHOD 2)

SCHEDULE A OFFSETS TO OPERATING EXPENDITURES		LINE 15 (Form 3X) FOR LINE NUMBER 15	
NAME OF COMMITTEE (in full) State Party Committee			
B. FULL NAME, Mailing address & ZIP Code Acme Office Store 888 Dead End City, State ZIP		DATE RECEIVED 5/1/98	AMOUNT OF REBATE \$400.00
CITY/STATE: <input type="checkbox"/> Admin/Non-Federal/Other		AGGREGATE AMOUNT: \$1,000.00	

The \$400 rebate is reported as a receipt under the category "offsets to operating expenditures" (Line 15 of the Form 3X Detailed Summary Page). The rebate has to be itemized on Schedule A because it exceeds \$200.

TRANSFER OF NONFEDERAL SHARE (H4) (METHOD 2)

DISBURSEMENT SCHEDULE H4 (Form 1141)		JOINT FEDERAL/NON-FEDERAL ACTIVITY SCHEDULE				PAGE 1 OF 1 FOR LINE 21a
NAME OF COMMITTEE State Party Committee						
A. FULL NAME, Mailing address & ZIP CODE State Party Committee/ Nonfederal Account 448 Democracy Blvd. City, State ZIP	PURPOSE/RENT transfer of nonfederal share of rebate (see Schedule A/Line 15)	DATE 5/18/98	TOTAL AMOUNT \$100	FEDERAL SHARE \$100	NON-FEDERAL SHARE 0	
CITY/STATE: <input checked="" type="checkbox"/> Admin/Non-Federal/Other		FUNDING SOURCE: <input checked="" type="checkbox"/> Other				
FEDERAL SHARE: \$100		NON-FEDERAL SHARE: \$0				

Based on the 75/25 allocation ratio for administrative expenses, the federal account must return \$100 (25 percent of the rebate) to the nonfederal account. The transfer to the nonfederal account is shown on Schedule H4. The entry explains the reason for the transfer and includes a cross-reference to the Schedule A where the rebate is itemized.

