



FEDERAL ELECTION COMMISSION  
WASHINGTON, D.C. 20463

RQ-2

October 5, 2005

Ralph Santora, Treasurer  
Independent Action Inc.  
1317 F St. NW, #900  
Washington, DC 20004

**Response Due Date:  
November 4, 2005**

Identification Number: C00139741

Reference: Amended Mid-Year Report (1/01/05-6/30/05), received 8/29/05

Dear Mr. Santora:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. This notice requests information essential to full public disclosure of your federal election campaign finances. **An adequate response must be received at the Commission by the response date noted above.** An itemization of the information needed follows:

-Schedule A supporting Line 11(a)(i) of your report discloses receipts identified as "unitemized, contributions." Please be advised that federal regulations require the itemization of all contributions from individuals/persons that aggregate greater than \$200 in the calendar year. Contributions from individuals/persons that aggregate \$200 or less need only be disclosed on Line 11(a)(ii) of the Detailed Summary Page.

Please clarify whether the receipts disclosed on Schedule A includes any contributions that aggregate greater than \$200 from an individual/person in the calendar year. If this is the case, please amend your report by itemizing the contributions from each individual/person on Schedule A. 11 CFR §104.3(a)(2)

-Please clarify all expenditures made for "event materials - blow ups," "dj servive - event" and "event space - catering" on Schedule B. 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 or E supporting Lines 23 or 24 and include the amount, name, address and office sought by each candidate. 11 CFR §§104.3(b) and 106.1

-Schedule B discloses an expenditure(s) for "mail shop." If a portion or all of these expenditures were for public communications (as defined by 11

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CFR §100.26) and voter drive activity (under 11 CFR §106.6(b)(2)(i)) containing express advocacy as defined under 11 CFR §100.22, this would constitute an in-kind contribution or an independent expenditure and should be properly disclosed on a Schedule B or E supporting Line 23 or 24 as appropriate. Public communications and voter drive activity that refer to a clearly identified Federal candidate, but that do not expressly advocate the election or defeat of that candidate should be reported on Schedule B for Line 21(b) of the Detailed Summary Page. Please clarify whether this activity contained express advocacy and amend your report to properly disclose this activity, if necessary.

-Separate Segregated Funds and Nonconnected committees that have established a federal account and a non-federal account may use only funds subject to the prohibitions and limitations of the Act, or they may allocate expenditures for administrative costs, generic voter drives, fundraising programs or events and public communications referencing only a political party between their federal and their non-federal accounts. 11 CFR §106.6(b)

Separate Segregated Funds and Nonconnected committees may pay administrative expenses, costs for generic voter drives and expenses related to public communications referencing any political party from their federal account, or allocate between their federal and non-federal accounts. Committees that choose to allocate these expenses must disclose the allocation ratio to be applied to each category of activity on a Schedule H1. Administrative expenses, generic voter drive costs and expenses related to public communications referencing any political party committee (but no clearly identified candidates) must be paid for with at least 50 percent Federal funds. 11 CFR §106.6(c)

Schedule H2 is used by all political committees to report the allocation ratios of their joint federal and non-federal fundraising events and direct candidate support programs. Schedule H2 is filed with each report that discloses a disbursement for allocated activity. Schedule H3 is used by all political committees to report transfers received by the federal account from the non-federal account(s) to pay the non-federal share of allocable expenses.

Any expenditures made on behalf of both federal and non-federal candidates (including in-kind contributions and independent expenditures) must be allocated between your committee's federal and non-federal accounts. Schedule H4 is used by all political committees to report payments for allocable expenses. 11 CFR §106.1(a)

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Please clarify the procedures you are currently using to pay for allocable expenses. The Commission recommends that you take steps to correct any non-compliance with the regulations. Also, your committee should establish procedures to ensure future compliance with the allocation regulations.

-Your report does not include a Schedule H1 to disclose the ratio for the allocation of certain costs. For State, District and Local party committees, Schedule H1 must be filed in the first report each calendar year that discloses an allocable disbursement and for Separate Segregated Funds and

Non-connected committees, in each report that discloses an allocable disbursement for administrative expenses, generic voter drives or public communications that refer to any political party, but do not refer to any clearly identified candidates.

Further, for State, District and Local party committees, all shared administrative, generic voter drive and exempt activity costs incurred during the two-year cycle must be allocated according to the appropriate fixed ratio, unless the federal account elects to pay a higher percentage of its cost. For Separate Segregated Funds and Non-connected committees, administrative expenses, generic voter drive costs and expenses related to public communications referencing any political party committee (but no clearly identified candidates) must be allocated according to a 50% flat minimum federal percentage unless the federal account elects to pay a higher cost. 11 CFR §106.7(d)(2), (d)(3) and 11 CFR §§104.10(b)(1) and 106.6(c)

-Schedule H4 discloses 100% non-federal activity. Please be advised that by definition, this activity does not qualify as an expense(s) that can be allocated between your federal and non-federal accounts. If the disbursements were for operating expenditures paid for with 100% federal funds, they should be itemized on Schedule B for Line 21(b) of the Detailed Summary Page. If these expenses were permissibly paid for with 100% non-federal funds, they should not be disclosed on Schedule H4. Further, any reimbursement from your committee's non-federal account for any portion of this activity is not permissible and must be returned. 11 CFR §102.5(a)(1)(i) Please amend your report to clarify this discrepancy.

**Unlike previous election cycles, you will not receive an additional notice from the Commission on this matter.** Adequate responses received on or before this date will be taken into consideration in determining whether audit action will be initiated. **Requests for extensions of time in which to respond will not be considered.** Failure to provide an adequate response by this date may result in an audit of the committee.

Failure to comply with the provisions of the Act may also result in an enforcement action against the committee. Any response submitted by your committee will be placed on the public record and will be considered by the Commission prior to taking enforcement action.

Electronic filers must file amendments (to include statements, designations and reports) in an electronic format and must submit an amended report in its entirety, rather than just those portions of the report that are being amended. If you should have any questions regarding this matter or wish to verify the adequacy of your response, please contact me on our toll-free number (800) 424-9530 (at the prompt press 5 to reach the Reports Analysis Division) or my local number (202) 694-1206.

Sincerely,



Jennifer Jaketic  
Campaign Finance Analyst  
Reports Analysis Division

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