

REGISTERING 527 AND 501(c)(4) ORGANIZATIONS

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<http://www.house.mi.gov/hfa>

House Bill 5580 as introduced
Sponsor: Rep. Julie Brixie

Analysis available at
<http://www.legislature.mi.gov>

House Bill 5582 as introduced
Sponsor: Rep. Jason Morgan

Committee: Ethics and Oversight
Complete to 12-5-24

SUMMARY:

House Bills 5580 and 5582 would amend the Michigan Campaign Finance Act to require certain 527 and 501(c)(4) organizations to register with the secretary of state (SOS) and prescribe penalties for a failure to do so. House Bill 5580 contains substantive provisions, and House Bill 5582 contains definitions applicable to those provisions. The bills are described together below.

The bills would require **527 organizations** and **501(c)(4) organizations** to electronically register with SOS within 10 days of becoming an organization. This requirement would not apply to House or Senate political party caucus committees or political party committees.

527 organization would mean an organization that claims tax-exempt status under section 527 of the Internal Revenue Code if that organization employs, has a board member who is, or is controlled or directed by, any of the following:

- A candidate for state elective office.
- An **elected official**.
- An appointed official for a state elective office.
- Any employee, contract employee, or staff member of any of the following:
 - An elected official.
 - A candidate for a state elective office.
 - An appointed official for a state elective office.
- Any **family member** of an elected official, candidate for a state elective office, or appointed official for a state elective office.

501(c)(4) organization would mean an organization that claims tax-exempt status under Section 501(c)(4) of the Internal Revenue Code if that organization employs, has a board member who is, or is controlled or directed by, any of the following:

- A candidate for state elective office.
- An elected official.
- An appointed official for state elective office.
- Any employee, contract employee, or staff member of any of the following:
 - An elected official.
 - A candidate for a state elective office.
 - An appointed official for a state elective office.

- Any family member of an elected official, candidate for a state elective office, or appointed official for a state elective office.

Elected official would mean an individual who holds a state elective office.

Family member would mean any of the following:

- A spouse or ex-spouse.
- A child, stepchild, grandchild, parent, sibling, niece, or nephew.
- The spouse of a child, stepchild, grandchild, parent, sibling, niece, or nephew.

The registration have to include all of the following:

- The name of the organization.
- The name of the individual who is employed by, is on the board of, or directs or controls the organization.
- If an individual described above is not an elected official or candidate for state elective office, the name of the elected official or candidate for state elective office of whom the individual is an employee, contract employee, staff member, or family member.

SOS would be have to post the information on its website.

Penalties

Organizations that fail to comply with the bill would be guilty of a state civil infraction and would be ordered to pay a civil fine based on its balance as shown below.

Balance	Civil Fine
\$10,000 or less	\$1,000
Between \$10,000 and \$20,000	\$4,000
\$20,000 or greater	\$5,000

In addition, the elected official or candidate for elective office that would be reported as required under the bill would be guilty of a state civil infraction and could be ordered to pay a civil fine of up to \$1,000.

Proposed MCL 169.229a (HB 5580)
MCL 169.205 and 207 (HB 5582)

The bills are tie-barred and cannot take effect unless both are enacted. Each bill would take effect on January 1, 2026.¹

FISCAL IMPACT:

The bills would have an indeterminate fiscal impact on the state and on local units of government. The fiscal impact would depend on the number of 527 or 501(c)(4) organizations

¹ It appears that already existing organizations that meet the required criteria on this date would be required to register with SOS within 10 days of January 1, 2026.

that fail to register with the secretary of state and are subsequently ordered to pay a civil fine. Also affecting the fiscal impact would be the number of elected officials or candidates for state elective office who are reported under provisions of the bill and are subsequently ordered to pay a civil fine. Revenue collected from payment of civil fines is used to support public and county law libraries. Also, under section 8827(4) of the Revised Judicature Act, \$10 of the civil fine would be required to be deposited into the state's Justice System Fund, which supports various justice-related endeavors in the judicial branch and legislative branches of government and the Departments of State Police, Corrections, Health and Human Services, and Treasury. The fiscal impact on local court systems would depend on how provisions of the bill affected court caseloads and related administrative costs. Because there is no practical way to determine the number of violations that will occur under provisions of the bill, an estimate of the amount of additional revenue the state would collect, revenue for libraries, or costs to local courts cannot be made.

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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations and does not constitute an official statement of legislative intent.