

CONNECTICUT STATE ETHICS COMMISSION
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ADVISORY OPINION NUMBER 78-6

Financial Reports Concerning Lobbying Activities

Two individuals who lobby on behalf of a client have requested the advice of the Ethics Commission on how to report moneys paid by the client to the individuals' corporation and to the individuals.

Under the client's agreement for payment, the client pays a fee to the corporation for lobbying services before the General Assembly and various state agencies. The client also reimburses the out-of-pocket expenses of the individuals who do the lobbying on the client's behalf. Specifically, the corporation reimburses the individuals for out-of-pocket expenses, and then bills the client. Finally, the corporation bills the client directly for such office expenses as photocopying and postage.

The individuals who lobby on behalf of the client receive from their corporation a salary which is determined independently of the fees paid by the client to the corporation for lobbying services. The lobbying performed by the two individuals represents only a limited portion of the corporation's activity and income.

The client and the two individuals who lobby on the client's behalf are required to register; the corporation is not. Sections 5 and 6, Public Act Number 77-605; Ethics Commission Regulations section 1-(3)-41. Only registrants need file financial reports. Section 7, Public Act Number 77-605; Ethics Commission Regulations section 1-(3)-50. Therefore, the fees paid by the client, and included in the client's financial report, must be reflected in the individual lobbyists' financial reports even though the fees are paid to the individuals' corporation. This reasoning is embodied in the Commission's Regulations, which state: "The name...of any person who compensates or reimburses the registrant who is an individual' as that phrase is used in Section 6(a)(3) shall refer to the client lobbyist, regardless of whether the client lobbyist who is making expenditures in furtherance of lobbying makes payment directly to the individual registrant who is the communicator or to any...corporation...in which the individual registrant is employed." Section 1-(3)-46.

Apportioning the fee between the two individuals should be done within the corporation. There is no one in a better position than the corporation to decide how the fee should be split. The corporation need only make a reasonable effort to make an honest allocation. This

will allow compliance with the Commission's regulation that the financial reports of individual registrants shall include "any fee... paid by a client registrant in furtherance of lobbying to a communicator registrant or other person who is not a member of or a regular employee of the client." Section 1-(3)-48a. If financial reports are being made on a cash basis, each individual would report his share of the fee in the month (or quarter) the corporation receives it.

Each individual would, of course, report reimbursement of his individual out-of-pocket expenses. Again assuming a cash basis, he would report receipt of the reimbursement in the month (or quarter) he received it from the corporation. (This would not necessarily be the month (or quarter) in which the client would report the expenditure.)

The office expenses for which the client reimburses the corporation do not appear in any individual communicator's report. Ethics Commission Regulations, 1-(3)-49a. Therefore, they are of no concern to him with regard to reporting.

By order of the Commission:

April 4, 1978
Dated

Marilyn P. A. Seichter
Marilyn P. A. Seichter
Chairwoman, State Ethics Commission

MS:jw