

SENATE BILL 426

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SB 259/17 – EHE

8lr1897

By: **Senators Bates, Cassilly, Eckardt, Edwards, Hershey, Ready, Reilly, Salling, Serafini, and Waugh**

Introduced and read first time: January 25, 2018

Assigned to: Education, Health, and Environmental Affairs

A BILL ENTITLED

1 AN ACT concerning

2 **Election Laws – Loans to a Campaign Finance Entity**

3 FOR the purpose of altering the conditions under which the principal balance on a loan to
4 a campaign finance entity is considered a contribution; providing that the terms of a
5 loan to a campaign finance entity require that the loan be repaid by a certain date;
6 specifying that certain penalties assessed against a campaign finance entity for a
7 loan that results in a violation of certain contribution limits may be assessed against
8 a lender, the candidate whose campaign finance entity received the loan, or both;
9 specifying that any statute of limitations associated with the assessment of certain
10 penalties begins to run on expiration of the repayment deadline for a certain loan;
11 and generally relating to loans to a campaign finance entity.

12 BY repealing and reenacting, with amendments,
13 Article – Election Law
14 Section 13–230
15 Annotated Code of Maryland
16 (2017 Replacement Volume and 2017 Supplement)

17 BY adding to
18 Article – Election Law
19 Section 13–604.3
20 Annotated Code of Maryland
21 (2017 Replacement Volume and 2017 Supplement)

22 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
23 That the Laws of Maryland read as follows:

24 **Article – Election Law**

25 13–230.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) A loan to a campaign finance entity is considered a contribution in the amount
2 of the outstanding principal balance of the loan unless[:

3 (1)] the loan is from a financial institution or other entity in the business of
4 making loans[; or

5 (2) the loan is to the campaign finance entity of a candidate and:

6 (i) repayment of the loan is personally guaranteed by the candidate;
7 and

8 (ii) the election cycle immediately following the election cycle in
9 which the loan was made has not ended].

10 (b) (1) Subject to subsection (c)(2) of this section, uncharged interest on a loan
11 is a contribution.

12 (2) Uncharged interest is the amount by which, during a reporting period,
13 the interest actually charged on the loan is less than the interest on the loan computed at
14 the prime rate applicable on the day the loan was made.

15 (c) (1) Subject to paragraph (2) of this subsection, the terms of a loan to a
16 campaign finance entity shall:

17 (i) be in writing;

18 (ii) include the lender's name, address, and signature;

19 (iii) state the schedule for repayment of the loan **AND REQUIRE**
20 **THAT THE LOAN BE REPAID NOT LATER THAN THE END OF THE SECOND YEAR OF THE**
21 **ELECTION CYCLE IMMEDIATELY FOLLOWING THE ELECTION CYCLE IN WHICH THE**
22 **LOAN WAS MADE;**

23 (iv) state the interest rate of the loan; and

24 (v) be attached to the campaign finance report required of the entity
25 under Subtitle 3 of this title for the reporting period during which the loan was made.

26 (2) (i) A loan by a candidate or the candidate's spouse to a campaign
27 finance entity of the candidate is not required to comply with paragraph (1) of this
28 subsection.

29 (ii) Unless a loan by a candidate or the candidate's spouse to a
30 campaign finance entity of the candidate complies with paragraph (1) of this subsection:

- 1 1. the loan may not accrue interest;
- 2 2. any interest foregone on the loan is not a contribution
3 under subsection (b) of this section; and
- 4 3. the campaign finance entity is not subject to[:
5 A.] § 13–310(a) and (b) of this title so long as the loan has an
6 outstanding principal balance[: and
7 B. subsection (a)(2)(ii) of this section].

8 (d) (1) A loan may not be made to a campaign finance entity of a candidate, or
9 accepted on behalf of the entity, without the express written consent of the candidate.

10 (2) The written consent of the candidate constitutes the personal guarantee
11 of the candidate for repayment of the loan only if the document expressly so provides.

12 (3) A copy of the candidate’s written consent shall be:

13 (i) furnished to the lender when the loan is made; and

14 (ii) attached to the campaign finance report required of the entity
15 under Subtitle 3 of this title for the reporting period during which the loan was made.

16 **13–604.3.**

17 **(A) IF A LOAN MADE UNDER § 13–230 OF THIS TITLE RESULTS IN A**
18 **VIOLATION OF § 13–226 OF THIS TITLE, THE PENALTY ASSESSED UNDER § 13–603 OR**
19 **§ 13–604 OF THIS SUBTITLE MAY BE ASSESSED AGAINST THE LENDER, THE**
20 **CANDIDATE WHOSE CAMPAIGN FINANCE ENTITY RECEIVED THE LOAN, OR BOTH.**

21 **(B) ANY STATUTE OF LIMITATIONS ASSOCIATED WITH ASSESSING A**
22 **PENALTY UNDER SUBSECTION (A) OF THIS SECTION BEGINS TO RUN ON EXPIRATION**
23 **OF THE REPAYMENT DEADLINE FOR THE LOAN.**

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
25 October 1, 2018.