



Public Affairs Council

Compliance Webinar: LD-2s and LD-203s

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Federal Lobbying Law

- Lobbying Disclosure Act of 1995 (“LDA”)
- Honest Leadership and Open Government Act of 2007 (“HLOGA”)
- Three forms:
 - LD-1 Registration
 - LD-2 Reports
 - LD-203 Semi-annual disclosures

Registration

- LD-1 Form - Due 45 days from initiating lobbying
- What triggers registration?
 - In-house registration triggers:
 - (1) at least one employee of a company or trade association must have two or more lobbying contacts at any point in an employee's employment;
 - (2) the same employee must spend 20% or more of his or her time engaged in lobbying activity in a calendar quarter; and
 - (3) the company or trade association must spend more than \$14,000 on lobbying activity in a quarter.

Registration

- Outside consultant triggers:
 - (1) at least one employee of the outside consultant must have two or more lobbying contacts on behalf of a particular client during the period of representation;
 - (2) the same employee of the consultant must spend 20% or more of his or her time engaged in lobbying activity on behalf of a particular client in a calendar quarter (the 20% test is a per client analysis); and
 - (3) the outside consultant must receive direct lobbying income of \$3,000 or more in a calendar quarter computed on an accrual basis.



Registration

- When a company or trade association triggers registration as a result of one or more employees meeting the aforementioned tests, just the employer of that employee or employees registers.
- Foreign-owned companies - If a company or trade association triggers registration, the LD-1 form requires that all foreign entities that are 20% equitable owners must register. The guidance requires that even intermediate foreign owners must be disclosed.

What is Lobbying Activity? LD-2 Report

- Lobbying activity - The definition of lobbying activity applies to all employees of a company or trade association. Even if an employee spends less than 20% of his or her time lobbying, the value of the time spent engaged in lobbying activity must be calculated for disclosure purposes.
 - The definition of lobbying activity includes:
 - research and preparation for lobbying contacts for work performed with the intention of being used for a lobbying contact by the employee performing the work or by another employee of the registrant;
 - strategic planning and research;
 - time spent during a lobbying contact whether in person, in writing, electronic, or telephonic;
 - time spent educating covered officials on issues related to the lobbying effort; and
 - strategizing with others in the industry, trade associations, and task forces is likely included as lobbying activity.

What is Lobbying Activity? LD-2 Report

- Other considerations in computing lobbying activity:
 - Travel time
 - Door-opening
 - Administrative time
- What about:
 - “Hide-behind lobbying”?
 - Time spent at fundraisers?
 - Lobbying issues where there is no pending legislation?
 - Requests for proposals or pitches on government contracts?
 - “Shadow lobbying”?

Who is a Covered Official? LD-2 Report

- Method A - Covered Officials (LDA Method)
 - Legislative Branch:
 - Members of Congress
 - Senators
 - Congressional staff of Members of Congress and Senators
 - This includes personal and committee staff members
 - Executive Branch:
 - White House staff and those in the Executive Office of the President
 - Military grade O-7 and above (e.g., generals and admirals)
 - Presidential and Schedule C appointees (does not include career Senior Executive Service)
 - Plum Book list covered official positions

Who is a Covered Official? LD-2 Report

- Method C - Covered Officials (Tax Code method)
 - Federal:
 - Members of Congress
 - Senators
 - Congressional staff of Members of Congress and Senators
 - This includes personal and committee staff members
 - White House staff
 - Top two officials in any office or division of the Executive Office of the President (e.g., OMB Director and Deputy Director)
 - Cabinet-level officials and their first deputies
 - No independent agency officials are covered

Who is a Covered Official? LD-2 Report

- Method C - Covered Officials (Tax Code method)
 - State:
 - State legislative officials on legislative matters
 - State executive officials only on legislative matters
 - Local legislative officials
- Other factors under Method C
 - Federal and state grassroots lobbying on legislative issues is included
 - Executive branch contacts with non-covered officials if on legislative matters
 - De minimis lobbying excluded if less than 5% and no contacts by an employee
 - Note: Method A has no de minimis exception

Social Media

- Direct lobbying
 - Email
 - Direct messages
 - Tagging
 - Texting
- Indirect lobbying (grassroots) - Method A does not cover these activities
 - Tweeting
 - Retweets
 - Facebook



Filing Dates - Due 20 Days After Each Quarter

- The House and Senate make the LD-2 filings publicly available
- Upcoming due dates:
 - **1st Quarter: April 20, 2023**
 - 2nd Quarter: July 20, 2023
 - 3rd Quarter: October 20, 2023
 - 4th Quarter: January 22, 2024



What Accounts for the Total Spent on Lobbying Activities for the LD-2 Report?

- In-house employees - compensation of employees for time spent lobbying, including a gross-up for overhead
- Outside consultant fees
- Coalition dues
- Trade association dues for the portion spent on lobbying. If a company pays dues for the entire year in one quarter, the entire amount goes on that quarterly report. It cannot be amortized.
- Travel expenses
- Entertainment expenses



Tracking of Time

- Preference is contemporaneous tracking of time
- At least keep time on a weekly basis if not daily
- Estimating time without back-up is not advised
- Putting down 100% is not a solution if not lobbying all the time



Tracking Issues

- Pre-disclose issues on which the registered lobbyists work
 - A filer does not disclose issues that only non-registered employees work on
 - A company or trade association does not disclose contacts and lobbying activities of its outside consultants, only the contacts and activities of its in-house lobbyists
- Description of issues should include bill number (if applicable), a brief description of the legislation and the portions of the bill lobbied

Other Issues

- Interest of foreign entities disclosed on the LD-1. This may be important regarding the interplay between the LDA and the Foreign Agents Registration Act.
- Updates or changes
 - For example, changes in address and incoming and outgoing lobbyists get reported on the quarterly LD-2 on the last page of the report
- Previous legislative and executive branch covered employment
 - Lobbyists disclose prior covered positions during the past 20 years
 - In-house lobbyists do this once when they are first listed as “new”
 - Do not list private positions, such as “CEO of a company”



Justice Against Corruption on K Street - JACK Act

- Disclose on the LD-1 and LD-2 federal and state convictions of lobbyists for bribery, extortion, embezzlement, kickbacks, tax evasion, fraud, false statements, perjury, money laundering, and certain conflicts of interests
- Provide details of the offense such as jurisdiction and statutory cite
- Even if very unlikely that any such convictions have occurred, it is necessary to survey lobbyists quarterly and so report

Affiliate Disclosure

- A registrant only discloses the identity of an affiliate if:
 - (1) an employee of an affiliate actively participates in the planning, supervision, or control of a registrant's lobbying activity; and
 - (2) the affiliate contributes \$5,000 or more in a calendar quarter in the lobbying effort



Terminating and Switching Lobbyist Registrations

- Termination is permitted if an individual has no reasonable expectation of continuing to meet the 20% threshold
- A registrant can terminate a lobbyist by listing the lobbyist's name on the LD-2 report
- The registrant (not the lobbyist) must sign in to the LD-203 Contribution System and update the lobbyist's status to "inactive" and enter an effective date of termination
- The lobbyist must file an LD-203 report for any reporting period for which he or she was an active lobbyist
- When a lobbyist leaves a company or organization, the lobbyist should properly terminate registration and make it part of the exit interview process to make sure the employee files an LD-203
- If a lobbyist is merely switching employers and will continue to lobby, then the lobbyist must sign into the LD-203 Contribution System in the "Manage Your Profile" section and request an employer transfer

Trade Associations and Informal Coalitions

- Requirement:
 - A trade association or coalition must identify members or participants that contribute over \$5,000 in a reporting period and actively participate in the lobbying effort
- Exception:
 - A trade association does not need to list its members meeting the \$5,000/active participation threshold if it publicly discloses the identity of its members
- A coalition is an informal group. If it engages an outside lobbyist, the outside lobbyist must register and report and note on the disclosure the group it represents is an informal coalition

LD-203 Reports: Semi-annual

- All lobbyists, lobbying firms, and lobbyist employers must file their own semi-annual LD-203
- Upcoming due dates:
 - For first six months of 2023 - July 31, 2023
 - For second six months of 2023 - January 30, 2024
- LD-203 Reporting Categories
 - PAC donations under the Federal Election Campaign Act
 - Covers contributions to federal candidates, leadership PACs and party committees
 - Honorary expenses
 - Includes controlled committees, such as the Congressional Black Caucus, Congressional Hispanic Caucus, and Congressional Asian Pacific American Caucus
 - Presidential library and inauguration
 - Other expenses, such as certain meeting expenses



LD-203 Certification and Compliance Program

- An LD-203 filer must certify that they are familiar with House and Senate gift rules and that they have not provided, requested, or directed a gift to a Member of Congress, Senator, or staff
- Due diligence
- Companies and trade associations need a method of contacting certain employees to make an accurate certification
- Training in lobby and gift rules
- Robust gift policy
- Disclaimers: if due diligence is performed, a filer may state that a filing is to the best of his or her knowledge after reasonable due diligence
- Disclosure of service on a corporate, trade association, or other PAC board



Federal Legislative Branch Gift Rules

- Gifts in any amount from registered lobbyists, foreign agents, and the entities that employ or retain them are prohibited unless the gift is permissible under an exception
- Gift prohibition extends throughout the company to all employees
 - not just registered lobbyists
- “Gift” is defined broadly to include a gratuity, favor, discount, entertainment, hospitality, loan, forbearance, or any item having monetary value
 - If fair market value is paid by the recipient, no gift results

Federal Legislative Branch Gift Rules - Exceptions

- Exceptions to the gift rule for companies that engage lobbyists
- 23 exceptions in total, including:
 - Food and beverages of nominal value (reception exception)
 - Widely attended events:
 - 25 or more non-Hill attendees
 - attendance open to individuals from throughout a given industry/profession
 - attendance related to official duties/functions of Member or employee
 - Charity event where primary purpose is to raise funds for 501(c)(3) org
 - Items of nominal value (*i.e.*, t-shirts and baseball caps)
 - Fundraising or campaign events
 - Gifts on the basis of personal friendship
 - socialize outside of business settings, history of reciprocal gifts, cost not reimbursed by the company, do not claim a tax deduction for cost



Federal Executive Branch Gift Rules

- Gifts to executive branch officials and employees are generally limited to \$20 per occasion and \$50 per calendar year
- Exceptions:
 - Widely attended gatherings (requires preclearance from agency)
 - Meals and entertainment from non-prohibited source
 - Personal hospitality
 - Modest items of food and refreshments, such as soft drinks, coffee and donuts, offered other than as part of a meal
 - Greeting cards and items with little intrinsic value, such as plaques, certificates, and trophies, which are intended solely for presentation
 - Gifts the receipt of which is specifically authorized by statute (*e.g.*, Foreign Gifts and Decorations Act)
 - Gifts to the President and Vice President

Federal Executive Branch Gift Rules - Biden Executive Order

- Biden Executive Order prohibits most gifts to executive branch officials and employees from lobbyists, lobbying firms, and lobbyist employers
- May not utilize \$20/\$50 or widely attended gathering exceptions, among others
- Limited exceptions remain, including:
 - Personal hospitality
 - Modest items of food and refreshments, such as soft drinks, coffee and donuts, offered other than as part of a meal, but not including receptions with alcohol like in the legislative branch
 - Greeting cards and items with little intrinsic value, such as plaques, certificates, and trophies, which are intended solely for presentation
 - Gifts the receipt of which is specifically authorized by statute (e.g., Foreign Gifts and Decorations Act)
 - Gifts to the President and Vice President

Enforcement and Audits

- Government Accountability Office (“GAO”) oversight of LDA and HLOGA filings
- Random audits only
 - 80-100 LD-2 per year
 - 160 LD-203 per year
- Referrals from House and Senate to the U.S. Attorney for the District of Columbia
- Any U.S. Attorney may prosecute an LDA/HLOGA violation
- Errors from GAO Audits:
 - 11% of LDA reports don’t round to the nearest \$10,000
 - 35% of LD-2 reports failed to properly disclose one or more covered positions
 - 7% of LD-203 reports missed reportable contributions

Good Faith Compliance

- The standard for compliance is good faith, but the law provides no definition
- DOJ stated an increase for review of HLOGA compliance
 - Abramoff pleas - prison term
 - Carmen Group - \$125,000 fine
 - Mauk - \$30,000 settlement
 - Biassi Business Services - \$200,000 default judgment
- Penalties:
 - Civil and criminal penalties of up to 5 years of imprisonment for knowingly and corruptly violating the law
 - 60-day cure provision for reporting violations but not for gift rule violations; however, returning gifts and late amendments mitigate

Questions?



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