

**DEPARTMENT OF LABOR****Employment Standards Administration****29 CFR Parts 403 and 408**

RIN 1215-AB62

**Labor Organization Annual Financial Reports**

**AGENCY:** Office of Labor-Management Standards, Employment Standards Administration, Department of Labor.

**ACTION:** Final Rule.

**SUMMARY:** The Department of Labor's Employment Standards Administration ("ESA") Office of Labor-Management Standards ("OLMS") publishes this Final Rule to make several revisions to the current Form LM-2 (used by the largest labor organizations to file their annual financial reports) that will provide additional information on Schedules 3, 4, 11 and 12, clarify reporting under certain functional categories and add itemization schedules corresponding to categories of receipts, and establish a procedure and standards by which the Secretary of Labor may revoke a particular labor organization's privilege to file a simplified annual report, Form LM-3, where appropriate, after investigation, due notice, and opportunity for a hearing. The changes are made pursuant to section 208 of the Labor-Management Reporting and Disclosure Act ("LMRDA"), 29 U.S.C. 438. The final rule will apply prospectively.

**DATES:** *Effective Date:* This rule shall take effect on February 20, 2009.

*Applicability Date:* This rule will apply prospectively to labor organizations whose fiscal years begin on or after July 1, 2009.

**FOR FURTHER INFORMATION CONTACT:** Denise Boucher, Director of the Office of Policy, Reports and Disclosure, at: Denise M. Boucher, U.S. Department of Labor, Employment Standards Administration, Office of Labor-Management Standards, 200 Constitution Avenue, NW., Room N-5609, Washington, DC 20210, (202) 693-1185 (this is not a toll-free number). (800) 877-8339 (TTY/TDD).

**SUPPLEMENTARY INFORMATION:****I. Statutory Authority**

This final rule is issued pursuant to section 208 of the LMRDA, 29 U.S.C. 438. Section 208 authorizes the Secretary of Labor to issue, amend, and rescind rules and regulations to implement the LMRDA's reporting provisions. Secretary's Order 4-2007, issued May 2, 2007, and published in

the **Federal Register** on May 8, 2007 (72 FR 26159), contains the delegation of authority and assignment of responsibility for the Secretary's functions under the LMRDA to the Assistant Secretary for Employment Standards and permits re-delegation of such authority. This rule implements section 201 of the LMRDA, which requires covered labor organizations to file annual, public reports with the Department, identifying the labor organization's assets and liabilities, receipts, salaries and other direct or indirect disbursements to each officer and all employees receiving \$10,000 or more in aggregate from the labor organization, direct or indirect loans (in excess of \$250 aggregate) to any officer, employee, or member, loans (of any amount) to any business enterprise, and other disbursements during the reporting period. 29 U.S.C. 431(b). The statute requires that such information shall be filed "in such detail as may be necessary to disclose [a labor organization's] financial conditions and operations." *Id.*

Section 208 authorizes the Secretary to establish "simplified reports for labor organizations or employers for whom [s]he finds that by virtue of their size a detailed report would be unduly burdensome." Section 208 also authorizes the Secretary to revoke this privilege for any labor organization or employer if the Secretary determines, after such investigation as she deems proper and due notice and opportunity for a hearing, that the purposes of section 208 would be served by revocation.

**II. Background****A. Introduction**

On May 12, 2008, the Department issued a notice of proposed rulemaking (73 FR 27346) proposing to modify and improve the Form LM-2 by requiring additional information about the receipt and disbursement of labor organization funds, and establish standards and procedures for revoking, where appropriate, the privilege afforded some labor organizations to file simplified annual reports, after investigation, due notice, and opportunity for hearing. As noted in the proposal, the revisions to Form LM-2 and the standards and procedures for revoking a labor organization's simplified filing privilege are part of the Department's continuing effort to better effectuate the reporting requirements of the LMRDA.

The Department initially provided for a 45-day comment period ending June 26, 2008. In response to public requests, the Department published a notice

extending the comment period to July 11, 2008. (73 FR 34913). The Department received 536 comments on the LM-2/LM-3 NPRM, excluding requests for extensions. Of these comments, approximately 45 were unique comments. The remaining comments were copies of a form letter endorsing the proposal. Comments were received from labor organizations, employers, trade and public interest groups, and two Members of Congress.

The LMRDA's various reporting provisions are designed to empower labor organization members by providing them the means and information to maintain democratic control over their labor organizations and ensure a proper accounting of labor organization funds. Labor organization members are better able to monitor their labor organization's financial affairs and to make informed choices about the leadership of their labor organization and its direction when they receive the financial information required by the LMRDA. By reviewing the reports, a member may ascertain the labor organization's priorities and whether they are in accord with the member's own priorities and those of fellow members. At the same time, this transparency promotes both the labor organizations' own interests as democratic institutions and the interests of the public and the government. Furthermore, the LMRDA's reporting and disclosure provisions, together with the fiduciary responsibility provision, 29 U.S.C. 501, which directly regulates the primary conduct of labor organization officials, operate to safeguard a labor organization's funds from depletion by improper or illegal means. Timely and complete reporting also helps deter labor organization officers or employees from making improper use of such funds or embezzling assets.

The final rule brings the reporting requirements for labor organizations in line with contemporary expectations for the disclosure of financial information. Today labor organizations are more like modern corporations in their structure, scope, and complexity than the labor organizations of 1959.<sup>1</sup> Further, as benefits have become a larger component of compensation, information about such benefits has

<sup>1</sup> There are now more large labor organizations affiliated with a national or international body than ever before. At the close of FY 2005, 4,452 labor organizations, including 101 national and international labor organizations, reported \$250,000 or more in total annual receipts. Unless otherwise noted, all estimates are based on data from the OLMS electronic labor organization reporting system ("e.LORS") for FY 2005.

become more important to members.<sup>2</sup> Moreover, labor organization members today are better educated, more empowered, and more familiar with financial data and transactions than ever before. As labor organization members, no less than as consumers, citizens, or creditors, they expect access to relevant and useful information in order to make fundamental investment, career, and retirement decisions, evaluate options, and exercise legally guaranteed rights.

#### *B. The LMRDA's Reporting and Other Requirements*

In enacting the LMRDA in 1959, a bipartisan Congress made the legislative finding that in the labor and management fields "there have been a number of instances of breach of trust, corruption, disregard of the rights of individual employees, and other failures to observe high standards of responsibility and ethical conduct which require further and supplementary legislation that will afford necessary protection of the rights and interests of employees and the public generally as they relate to the activities of labor organizations, employers, labor relations consultants, and their officers and representatives." 29 U.S.C. 401(a).

The statute was the direct outgrowth of a congressional investigation conducted by the Select Committee on Improper Activities in the Labor or Management Field, commonly known as the McClellan Committee, chaired by Senator John McClellan of Arkansas. In 1957, the committee began a highly publicized investigation of labor organization racketeering and corruption; and its findings of financial abuse, mismanagement of labor organization funds, and unethical conduct provided much of the impetus for enactment of the LMRDA's remedial provisions. *See generally* Benjamin Aaron, *The Labor-Management Reporting and Disclosure Act of 1959*, 73 Harv. L. Rev. 851, 851-55 (1960). During the investigation, the committee uncovered a host of improper financial arrangements between officials of several international and local labor organizations and employers (and labor

consultants aligned with the employers) whose employees were represented by the labor organizations in question or might be organized by them. *See generally Interim Report of the Select Committee on Improper Activities in the Labor or Management Field*, S. Rep. No. 85-1417 (1957); *see also* William J. Isaacson, *Employee Welfare and Benefit Plans: Regulation and Protection of Employee Rights*, 59 Colum. L. Rev. 96 (1959).

The statute was designed to remedy these various ills through a set of integrated provisions aimed at labor organization governance and management. These include a "bill of rights" for labor organization members, which provides for equal voting rights, freedom of speech and assembly, and other basic safeguards for labor organization democracy, *see* 29 U.S.C. 411-15; financial reporting and disclosure requirements for labor organizations, their officers and employees, employers, labor relations consultants, and surety companies, *see* 29 U.S.C. 431-36, 441; detailed procedural, substantive, and reporting requirements relating to labor organization trusteeships, *see* 29 U.S.C. 461-66; detailed procedural requirements for the conduct of elections of labor organization officers, *see* 29 U.S.C. 481-83; safeguards for labor organizations, including bonding requirements, the establishment of fiduciary responsibilities for labor organization officials and other representatives, criminal penalties for embezzlement from a labor organization, a prohibition on certain loans by a labor organization to officers or employees, prohibitions on employment and officeholding of certain convicted felons in a labor organization, and prohibitions on payments to employees, labor organizations, and labor organization officers and employees for prohibited purposes by an employer or labor relations consultant, *see* 29 U.S.C. 501-05; and prohibitions against extortionate picketing, retaliation for exercising protected rights, and deprivation of LMRDA rights by violence, *see* 29 U.S.C. 522, 529, 530.

Financial reporting and disclosure was conceived as a partial remedy for these improper practices. As noted in a key Senate Report on the legislation, disclosure would discourage questionable practices ("The searchlight of publicity is a strong deterrent."); aid labor organization governance (Labor organizations will be able "to better regulate their own affairs. The members may vote out of office any individual whose personal financial interests

conflict with his duties to members."); facilitate legal action by members against "officers who violate their duty of loyalty to the members"; and create a record (The reports will furnish a "sound factual basis for further action in the event that other legislation is required."). S. Rep. No. 187 (1959), at 16, *reprinted in 1 NLRB Legislative History of the Labor-Management Reporting and Disclosure Act of 1959*, at 412.

Section 201 of the LMRDA requires labor organizations to file annual, public reports with the Department, detailing the labor organization's financial condition and operations. 29 U.S.C. 431(b). The Department has developed several forms for implementing the LMRDA's financial reporting requirements. The annual report forms (Form LM-2, Form LM-3, and Form LM-4), require information about a labor organization's assets, liabilities, receipts, disbursements, loans to officers and employees and business enterprises, direct and indirect payments to each officer, and payments to each employee of the labor organization paid more than \$10,000 during the fiscal year.<sup>3</sup> The reporting detail required of labor organizations, as the Secretary has established by rule, varies depending on the amount of the labor organization's annual receipts. 29 CFR 403.4.

Labor organizations with annual receipts of at least \$250,000 and all labor organizations in trusteeship (without regard to the amount of their annual receipts) must file the Form LM-2. 29 CFR 403.2-403.4. This form may be filed voluntarily by any other labor organization. The Form LM-2 requires receipts and disbursements to be reported by functional categories, such as representational activities; political activities and lobbying; contributions, gifts, and grants; union administration; and benefits. Further, the form requires filers to allocate the time their officers and employees spend according to functional categories, as well as the payments that each of these officers and employees receive, and it compels the itemization of certain transactions

<sup>2</sup> The balance between wages/salaries paid to workers and their "other compensation" has changed significantly during this time. For example, in 1966, over 80% of total compensation consisted of wages and salaries, with less than 20% representing benefits. U.S. Department of Labor, *Report on the American Workforce* (2001) 76, 87. By 2007, wages dropped to 70.8% of total compensation and benefits grew to 29.4% of the compensation package. U.S. Department of Labor, Bureau of Labor Statistics Chart on Total Benefits, available on the Web site of the Bureau of Labor Statistics, <http://www.bls.gov>.

<sup>3</sup> The format of Forms LM-2 and LM-3 remained essentially unchanged from the early 1960s, when the Department issued the first and second generation of rules under the Act, until October 2003 when the revised Form LM-2 was issued. *See, e.g.*, 25 FR 433 (Jan. 20, 1960); 28 FR 14383 (Dec. 27, 1963). The Form LM-4 was adopted by a final rule in 1992 with an effective date of December 31, 1993. *See* 57 FR 49356-49365 (Oct. 30, 1992). The effective date was subsequently postponed until December 31, 1994. *See* 58 FR 28304 (May 12, 1993). The Form LM-4 was then revised slightly and adopted by a final rule with the same December 31, 1994 effective date. *See* 58 FR 67594 (Dec. 21, 1993).

totaling \$5,000 or more. This form must be electronically signed and filed with the Department.<sup>4</sup>

Forms LM-3 and LM-4 were developed by the Secretary to meet the LMRDA's charge that she develop "simplified reports for labor organizations and employers for whom [s]he finds by virtue of their size a detailed report would be unduly burdensome," 29 U.S.C. 438. A labor organization not in trusteeship that has total annual receipts less than \$250,000 for its fiscal year may elect, "subject to revocation of the privilege," to file Form LM-3 or Form LM-4, depending on its total annual receipts, instead of Form LM-2. See 29 CFR 403.4(a)(1).<sup>5</sup> The Form LM-3, which may be used by a labor organization with annual receipts of \$10,000 or greater, but less than \$250,000, is a five-page document requiring labor organizations to provide particularized information by certain categories, but in less detail than Form LM-2. A labor organization not in trusteeship that has total annual receipts less than \$10,000 for its fiscal year may elect, "subject to revocation of the privilege," to file Form LM-4 instead of Form LM-2 or Form LM-3. 29 CFR 403.4(a)(2). The Form LM-4 is a two-page document that requires a labor organization to report only the total amounts of its assets, liabilities, receipts, disbursements, and payments to officers and employees.

With regard to each of these reports, the LMRDA states that the Secretary of Labor shall "prescribe the[ir] form and publication \* \* \* and such other reasonable rules and regulations \* \* \* as he may find necessary to prevent the circumvention or evasion of such reporting requirements." 29 U.S.C. 438. This final rule revises the Form LM-2 and establishes a procedure and standards for revocation of a labor organization's simplified filing privilege. The revised Form LM-2 will provide greater transparency of labor organization finances and effectuate the goals of the LMRDA.

### III. Changes to the Form LM-2 and the Form LM-3

#### A. Form LM-2

##### 1. Introduction

The Department proposed changes to enhance the Form LM-2 by requiring labor organizations to disclose additional information about their financial activities to their members, this Department, and the public. Each of the changes proposed has been adopted in the final rule, with some modifications in response to public comment received on the proposals. On the revised form, labor organizations will provide additional information in Schedule 3 ("Sale of Investments and Fixed Assets") and Schedule 4 ("Purchase of Investments and Fixed Assets") that will allow verification that these transactions are performed at arm's length and without conflicts of interest. Schedules 11 and 12 have also been revised to require reporting of the value of benefits paid to and on behalf of officers and employees. This change will provide a more accurate picture of total compensation received by labor organization officers and employees. Labor organizations will report on Schedules 11 and 12 travel reimbursements indirectly paid on behalf of labor organization officers and employees. This change will provide more accurate information on travel disbursements for labor organization officers and employees. The enhancements also include additional schedules corresponding to the following categories of receipts: Dues and Agency Fees; Per Capita Tax; Fees, Fines, Assessments, Work Permits; Sales of Supplies; Interest; Dividends; Rents; On Behalf of Affiliates for Transmittal to Them; and From Members for Disbursement on Their Behalf. These new schedules will require the reporting of additional information, by receipt category, of aggregated receipts of \$5,000 or more. The \$5,000 threshold for itemization is used throughout the Form LM-2. This change is consistent with the information currently provided for disbursements. Finally, the Department is amending the Form LM-2 instructions to conform to the requirements of the Form T-1 published on October 2, 2008.<sup>6</sup>

The Department also sought comment on three specific questions: Whether the functional categories on the Form LM-2 should be changed in order to improve their usability to members of labor organizations and the public; whether the confidentiality exception from the Form LM-2 instructions should be narrowed, clarified or removed; and "whether all transactions greater than \$5,000 should be identified by amount and date in the relevant schedules, permitting, however, labor organizations, where acting in good faith and on reasonable grounds, to withhold information that otherwise would be reported, in order to prevent the divulging of information relating to the labor organization's prospective organizing or negotiat[ing] strategy." 73 FR at 27352-53. Comments were received on these questions; however, with the exception of a clarification about the use of the confidentiality exception for reporting payments under a job targeting or market recovery program, the Department has made no changes to the Form LM-2 on the points for which specific comments were requested.

The Department framed the request regarding the appropriateness of the functional reporting categories as follows:

The Department also requests comment from the public regarding the appropriateness of the current functional disbursement categories in the Form LM-2. Comment is sought on whether changes should be made to these sections in order to improve their usability to members of labor organizations and the public.

73 FR at 27348. Numerous comments were received on this question. Several commenters expressed support for the continued use of the functional categories, which they find useful. Some commenters argued that no changes should be made to the functional categories, arguing that the functional categories place an unnecessary burden on unions and that unions have already spent considerable time to modify their

<sup>4</sup> The Form LM-2 and its instructions are published at 68 FR 58449-523 (Oct. 9, 2003) and are available at <http://www.olms.dol.gov>. Copies of the Form LM-3 and Form LM-4 are also available at <http://www.olms.dol.gov>.

<sup>5</sup> The 2003 rule set this amount at \$250,000. However, the rule inadvertently failed to change the figure in 29 CFR 403.4(a)(1) from \$200,000 to \$250,000. As part of this final rule, the Department has revised section 403.4(a)(1) by correcting it to read "\$250,000." See text of regulation.

<sup>6</sup> When the current Form LM-2 was revised in 2003, the Department also established a Form T-1. The latter was vacated by the DC Circuit in *American Federation of Labor and Congress of Industrial Organizations v. Chao*, 409 F.3d 377 (2005). See discussion at 73 FR 57412, 57413 (Oct. 2, 2008). The Form LM-2 instructions contained descriptive information about the Form T-1. As discussed in its proposal to revise the Form LM-2, 73 FR at 57416, the Department noted that it had

proposed to establish a new Form T-1 (73 FR 11754 (Mar. 4, 2008)) and that a final Form T-1 rule would affect the instructions to the Form LM-2. Because the Form T-1 published on October 2, 2008, 73 FR 57412, differs in some respects from the Form T-1, as described in the 2003 rule, the Department has revised the relevant portion of the Form LM-2 instructions to reflect the new Form T-1. The most significant changes have been made to Section X of the General Instructions. Compare the language of the new Form LM-2 instructions, at pages 4-6, with the language in the new Form T-1 instructions, at pages 1-3, shown at 73 FR at 57457-59. Minor changes have been made to sections II and VII of the General Instructions; items 10 ("Trusts or Funds") and 11 ("Political Action Committee Funds"); and Schedule 7 ("Other Assets").

accounting systems to allow for reporting on the current Form LM-2. Among the suggestions for improving the functional categories were the following:

- Separate reporting for organizing and representation functions and require additional itemization.
- Lower the itemization threshold from \$5,000 to \$200.
- Require accurate reporting of time spent, rather than an estimate to the nearest 10%, by officers and employees on activities in the functional categories.
- Require details regarding specific matters, cases, contracts, or grievances for which legal fees or other representational expenses, including staff time, are incurred.

The Department requested comment on the functional categories to further its understanding of any problems, concerns, or areas where improvement would be useful. Other than the items specifically listed, the Department did not propose general changes to the functional categories. The Department sought comment for informational purposes. That information has been received and reviewed and will be used to guide any changes that may be proposed in this area in the future.

The remaining two questions are discussed below in connection with Schedule 15.

The enhancements adopted in today's final rule, as more fully described below, will ensure that information is reported in such a way as to meet the objectives of the LMRDA by providing labor organization members with useful data that will enable them to be responsible and effective participants in the democratic governance of their labor organizations. The enhancements are designed to provide members of labor organizations with additional and more detailed information about the financial activities of their labor organization that is not currently available through the Form LM-2 reporting. Moreover, experience with the software and technology developed for the 2003 revisions show that it is possible to provide the level of detail necessary to give labor organization members a more accurate picture of their labor organization's financial condition and operations without imposing an unwarranted burden on reporting labor organizations. The Department is revising the Form LM-2 software currently in use by Form LM-2 filers to conform to the enhancements made in today's final rule and will make the software available to filers without charge.

## 2. The Revisions to the Form LM-2 and Instructions

### a. General

The Department received numerous comments on the proposed changes to the Form LM-2. While many comments concerned particular aspects of the proposal, many who opposed the proposal made some or all of the following claims: (1) The proposal comes too soon after, and without adequate justification to depart from, the reporting requirements established in 2003; (2) the proposal lacks the support of union members and supersedes their right to examine records underlying their union's financial reports; and (3) the proposal, especially the additional itemization to be required of labor organizations, places unnecessary and costly burdens on them. The comments received on these points are discussed below.

#### (1) Timing and Justification for Changing the Form

Several commenters raised questions about the timing of and justification for the proposed changes. For example, one commenter stated that the Department's proposal to require additional detailed reporting by labor organizations was made without any review by the Department of whether the 2003-revised Form LM-2 has been effective or beneficial to union members. It suggested that the Department failed to provide concrete examples of the need for a particular change or for how a change would address a concrete problem. Another commenter stated that by changing the reporting requirements so soon after the 2003 revision, the Department would impose needless, but significant, non-recurring costs on filers.

The 2003 rule represented an extensive change in the annual financial reports required under the LMRDA. The 2003 rule represented the first significant change in the Form LM-2 in over 40 years. Among other things, it required unions to report information in new functional categories, union officials to allocate how they spend their time working on members' interests, itemize major disbursements, identify tardy accounts receivables, and file the reports electronically in a format that allows for computer-assisted review and dissemination via the Internet. When the Department formulated its proposal to revise further the Form LM-2, it had the benefit of three cycles of reviewing forms submitted in accord with the 2003 revision to assess the utility of the form and to identify areas in which improvement was needed. In developing the proposals, the

Department has had the opportunity to review thousands of forms and to tap the experience gained by its staff in investigating Form LM-2 issues and from their dialogue with union officials and union members while providing Form LM-2 compliance assistance to them. The Department has had the additional benefit of the lessons learned since the 2003 rule took effect in developing other LMRDA reports (Form LM-30 and Form T-1) and defending these reports in litigation before the federal courts.

The changes proposed and adopted in the instant rulemaking are incremental changes to the 2003 revisions. As stated in the NPRM and the discussion below, the Department acknowledges that unions will incur some additional burden in making the changes. In contrast to the 2003 revisions to the Form LM-2, however, the burden is minimal. Unions already have systems with the capability of itemizing disbursements; and there is no apparent reason (and none of the commenters suggested otherwise) why the same systems cannot be adapted for itemizing receipts.

As discussed in greater detail in the PRA section of the preamble, the Department has carefully considered the comments about its preliminary burden estimates, as set forth in the NPRM. The Department has revised upwards its estimate of the recurring burden associated with the new changes to the Form LM-2 to 15.6 hours, an increase of about 35 percent from the estimate in the NPRM. The revised estimate includes the changes made to the form and instructions from their proposed versions.

#### (2) Benefits to Union Members

Some commenters stated that the Department failed to explain why union members would find the proposed reporting requirements to be useful. Another commenter expressed concern about the absence of any studies showing how union members are using the information being reported under the 2003-revised Form LM-2 to improve the accountability and fiscal management of their unions. As the Department explained in the NPRM, 73 FR at 27346-48, the proposed rules were designed to improve the transparency of union finances and better effectuate the intention of Congress in enacting the Act's reporting and disclosure provisions. As discussed above, the proposed changes were the result of the Department's experience with the 2003-revised Form LM-2. Through this experience, it became evident to the Department's staff that



the Form LM-2 incompletely reflected the compensation paid to union officials. Notably missing from the reports was a true reflection of the amounts of compensation being paid to or on behalf of individual officials. *See* 73 FR at 27350. While salaries and most other disbursements were being reported on an individual basis, the reports failed to disclose the total amount of travel expenses incurred by union officials or the amount of benefits paid to them. In a similar fashion, the 2003 Form LM-2 failed to provide itemization of a union's receipts. Without this information, union members, the Department, and the public have been missing pertinent, material information about the union's finances. The Department's proposals, as adopted in this rule, provide greater transparency about a union's finances. Further, each of the proposals was accompanied by one or more illustrations of why the changes are necessary and how they will benefit union members. These examples show the still opaque nature of the current reporting in some areas; the examples were chosen to highlight the problems rather than serve as an exhaustive listing of the problems.

Some of the commenters suggest that union members have little or no concern about how the union conducts its finances and none about transactions as little as \$5,000. They further suggest that any interest is easily met by a member's right for "just cause" to review the union's financial records if he or she has questions relating to the union's finances. They assert, in effect, that LMRDA section 201(c), which provides union members a right to review records underlying a union's financial report for "just cause," becomes superfluous because of the additional detail that the Department would require.

The commenters correctly recognize that Congress provided members an important right to obtain additional information about their union's finances. The LMRDA requires both that a labor organization file annual reports with the Department, LMRDA section 201(b), 29 U.S.C. 431(b), and make available to its members the information required to be contained in the annual report. LMRDA section 201(c), 29 U.S.C. 431(c). However, they mistakenly view detailed reporting as undermining that right. In the Department's view, the additional detail required by the changes to the Form LM-2 promotes the right of union members to seek further information about their union's finances. Sections 201(b) and (c) are complementary. As noted by the DC

Circuit, there is no inconsistency between the itemization required by the Form LM-2 and subsection 201(c) because section 201(c) simply requires disclosure of data that underlies a subsection 201(b) report. *AFL-CIO v. Chao*, 409 F.3d 377, 383-384 (D.C. Cir. 2005). The Court explained that additional detail in the subsection 201(b) reports would facilitate a union member's right to probe further pursuant to subsection 201(c). *Id.* Today's rule is entirely consistent with the approach taken by the Department in 2003 and the court's view of the interplay between section 201(b) and 201(c). The information that will be reported on the Form LM-2 under this final rule enhances the member's right to examine underlying records. It enables a member to more easily identify transactions warranting additional scrutiny, which he or she can then pursue by requesting and examining underlying records. It thereby promotes the interests of the inquiring member, his or her fellow members, and the labor organization as an institution.

By providing itemization of receipts, labor organizations will better disclose to their members a more complete accounting of all funds received and the identity of individuals and entities with which the labor organization does business. The Department also can use this information to determine the purpose of any receipt from one source in an amount of \$5,000 or more, which will help identify possible misappropriation of funds. Members will be able to determine that money received by the labor organization is actually accounted for. For example, labor organization members can ensure that money they paid to the organization for disbursement on their behalf is properly accounted for on the Form LM-2. If there is no itemized receipt in new Schedule 22 for payments of \$5,000 or more, or the receipt is less than expected, then the member will know that the money was not properly reported and may pursue his or her right to examine the union's books and records underlying the information reported on the Form LM-2.

One commenter made the point that the question whether unions should make itemized disclosures of sales of union assets to non-insiders is the kind of question that should be resolved by the unions themselves in accord with their internal democratic processes. This process, it was argued, would better accord with members' real interests than the Department's imputed interest. The commenter points out that in many, if not most, instances the

Department has acknowledged that the added detail on the proposed revised Form LM-2—for example the sale of a union automobile for less than its book value to a non-insider—can only be evaluated by a union member who, if he or she believes the matter worthy of further scrutiny, can follow up by exercising his or her LMRDA § 201(c) right to inspect union records. The Department agrees with the assessment that in most cases union members will be in the best position to determine whether a particular transaction or transactions raise questions that demand further examination of the underlying details. Nonetheless, as discussed above, Congress established a reporting system in which the Department and the general public also serve important roles.

The Department cannot ensure adequate disclosure if itemization and reporting policies are left to the discretion of individual unions. Different reporting standards would lead to as many different forms and reporting requirements as there are labor organizations. Finally, members would have to research each individual labor organization to determine whether and where they report. For example, a member of a local who is affiliated with an international has an interest in the local, international, and any intermediate body. Under this final rule, the member can go to the Department Web site and search each labor organization's filings containing information reported in a consistent format. If the decisions were left to the unions' own choice, members would be provided information varying in detail and which could change from year to year, denying members the ability to make reliable historical and cross-union comparisons. The integrated reporting system adopted by the Department ensures that members can find information and know what information is provided on the reports.

A number of the commenters asserted that the new receipt reporting requirements would produce a forest of financial minutia that is expensive to track and impossible for members to meaningfully interpret. One commenter estimated that the average Form LM-2 report is 195 pages. The commenters also stated that labor organizations with \$50 million or more in annual receipts filed, on average, 96.3 more pages in 2007 than in 2004, a 97.4% increase. He stated that the proposed changes would add substantial length to the reports. This commenter and others questioned how many members will have the time, patience, and resources to meaningfully

delve into their labor organization's Form LM-2 report.

The Department acknowledges that additional reporting requirements add length to a report and that the interest of individual union members to examine their union's finances will vary greatly from individual to individual. The Department also recognizes that a typical member will not have an interest in investigating each transaction listed on the Form LM-2. However, a member need not study his or her labor organization's entire Form LM-2 for the report to be useful. The member can use the summary schedules for quick references or, as discussed above, use the search function to find specific transactions. The summary schedules allow for quick references. For example, a quick look at any summary schedule might reveal a large number where one would expect a small number or a small number where one might expect a large number. If such a disparity is identified, the member is free to search the itemized receipt/disbursement schedules to investigate the unexpected aggregate. In one case a labor organization indicated on its Form LM-2 summary schedule that it had received \$5,037,071 in rent. This accounted for more than ten percent of the labor organization's total receipts. No itemized schedule for rents is available on the current Form LM-2. Another labor organization indicated on its Form LM-2 summary schedule that it had received \$15,123,482 in receipts on behalf of affiliates for transmittal to them. This accounted for almost a quarter of the labor organization's receipts, exceeded only by per capita taxes. Like rents, receipts on behalf of affiliates for transmittal to them are not itemized on the current Form LM-2. However, the newly revised Form LM-2 will provide the information necessary to evaluate the rent receipts and receipts on behalf of affiliates for transmittal to them. Another labor organization indicated that it received \$6,900,000 in loans. This was the third largest source of its receipts and accounted for more than ten percent of its total receipts. Closer examination of the labor organization's Form LM-2 Schedule 9 ("Loans Obtained") indicated that the loans were obtained from two institutions. There is no indication that these loans were illegal, but a member may want to know more about a large loan received in a year when the labor organization's total receipts exceeded its disbursements by more than two million dollars. Further, itemization allows a member to search his or her labor

organization's Form LM-2 for specific vendors or purchasers.

A commenter expressed concern that the Department has failed to recognize that labor organizations have numerous internal controls in place to detect and prevent embezzlement, including multiple levels of review for receipts and disbursements, annual internal audits, segregation of duties, banking tools such as "positive pay," digital checks that eliminate check stock inventories and therefore, the changes are not providing additional benefit to union members. The Department acknowledges that many labor organizations have internal controls in place to detect and prevent embezzlement. In 2008, these internal controls combined with the Department's on-going audit program and study of Form LM-2s have resulted in 93 embezzlement convictions and \$3,134,415 in restitution. Notwithstanding these efforts, many financial irregularities continue to go undetected. The greater transparency provided by today's rule will allow union members and the Department to better detect such irregularities and better deter, in the first instance, union officials and others from engaging in questionable financial practices.

A few commenters stated that the additional reporting required by the proposals would confuse union members who would not be able to discern the nuances associated with these new requirements. The Department disagrees with this suggestion. The changes required by this rule are straightforward and will not be confusing to union members, whose ability to understand basic financial information seems to be underestimated by some commenters. Moreover, the Department would expect labor organizations to assist their members in properly understanding the financial reports and the Department, through its extensive compliance assistance program, is ready and able to assist any members who have questions.

### (3) Itemization

A number of commenters asserted that it was a mistake for the Department in 2003 to require itemization of major disbursements,<sup>7</sup> and that this mistake, in effect, would be compounded by applying this requirement to major receipts by a labor organization. At least one commenter stated that the \$5,000

<sup>7</sup> The existing instructions for the Form LM-2 (created in 2003) require itemization of "any individual disbursement of \$5,000 or more or total disbursements to any single entity or individual that aggregate to \$5,000 or more during the reporting period."

threshold is too high; it suggested lowering it to \$200. The question whether itemization is beneficial was answered in the 2003 rulemaking. As set forth in the preamble to that rule, 68 FR at 58389-91, itemization promotes the transparency of union finances, thereby providing union members with information essential for them to exercise their democratic rights within the union and to ensure that the union's finances receive appropriate scrutiny by the members, this Department, and the public.<sup>8</sup> In that rule, itemization was required for major disbursements by a union, providing greater transparency on that side of a union's ledger. Today's rule, in large part, merely extends that requirement to the union's receivables, allowing members to see more clearly the source and amount of the union's finances.

The principle of aggregation, *i.e.*, reporting an organization's total expenditures within a particular category, while an accepted accounting principle, provides only a partial view of an organization's finances, a shortcoming addressed in the 2003 rule by requiring itemization of disbursements of \$5,000 or greater and in today's rule by requiring as a general rule that receipts of \$5,000 or greater must be identified. In those instances, where commenters demonstrated a particular problem with itemizing certain receipts, the Department has modified its proposals to meet these concerns. As discussed below, the Department acknowledges that the rule will impose some additional burden on labor organizations, but not nearly as much as suggested by some commenters.<sup>9</sup>

<sup>8</sup> The 1959 Senate report on the version of the bill later enacted as the LMRDA mandated that union members receive a full accounting of "union internal processes and financial operations." S. Rep. No. 187, at 2, *reprinted in 1 NLRB Leg. Hist. of the LMRDA*, at 398. The LMRDA states that a full accounting includes "information in such detail as may be necessary accurately to disclose [the labor organization's] financial condition and operations for its preceding fiscal year \* \* \* [including] receipts of any kind and the sources thereof." 29 U.S.C. 431(b). Senator Kennedy stated that "receipts of any kind" was "intended to be as broad as it suggests \* \* \* receipts of any kind and the sources thereof." As noted in the Senate report "the members who are the real owners of the money and property of the organization are entitled to a full accounting of all transactions involving their property." S. Rep. No. 187, at 8, *reprinted in 1 NLRB Leg. Hist. of the LMRDA*, at 404. This rule furthers the Department's goal of increased transparency.

<sup>9</sup> The Department has reduced the recordkeeping and reporting burden associated with Schedules 14 and 15, by requiring labor organizations to only report on these schedules the yearly aggregates it receives from represented employers and labor organizations.

The primary purpose of this rulemaking is the furtherance of labor organization transparency. *See* 73 FR at 27346–47. OLMS experience over years of auditing and investigating union financial activities indicates that increased access to information concerning a labor organization's finances will enable members to protect their own interests through more effective vigilance over union funds, and will aid OLMS in enforcement efforts. Although a member will not have knowledge of each receipt received by the labor organization, interested members will have information on many of the itemized dues and agency fees, per capita taxes, fees, fines, assessments, and work permits, sales of supplies, interest, dividends, rents, receipts on behalf of affiliates for transmittal to them, and receipts from members for disbursement on their behalf. For example, a member will be able to determine whether his or her labor organization is receiving the appropriate interest and dividends on its investments. Schedule 5 ("Investments") will list the book value of each investment of \$5,000 or more as of the end of the year. The member can look at his or her labor organization's most recent Form LM–2 (for the last fiscal year covered by the 2003 revisions) to determine the book value of particular assets. With this information and the information provided on the new Form LM–2, the member can determine how much the labor organization received in increased value or interest during the reporting year. The member can calculate the amount of appreciation or interest, the latter based on either the rate of the particular institution identified on the Form LM–2 or the market average, which is available on the Internet. A disparity between the rate computed from the Form LM–2 and the market rate may indicate that further investigation is warranted to determine whether the disparity is due to bad investment choices or culpable actions. Moreover, as discussed in the preceding section, itemization effectively complements a member's right to examine documentation underlying the information reported on the Form LM–2 by allowing him or her to identify major financial receipts involving the union, a task that would be very impractical, at best, without the itemization required by today's rule.

#### b. Particular Aspects of the Rule

The following is a "section-by-section" discussion of the sections, items and schedules on the revised Form LM–2 and instructions:

*Items 1–21.* These items are unchanged, except for some minor editorial changes, mostly concerning the reporting of information about trusts in which labor organizations hold an interest. *See* n. 6.

*Statement A.* This statement is unchanged.

*Statement B. Receipts and Disbursements:* This statement currently contains two primary columns, one with the heading "Cash Receipts" and one with the heading "Cash Disbursements." Under each heading are items listed that describe categories of receipts or disbursements that should be reported. There are no changes to the items listed under "Cash Receipts." As discussed below, however, the Department is adding, as proposed, additional schedules to correspond to items listed under "Cash Receipts" for which currently no schedules exist. As a result of these changes, the remaining cash disbursement items will be renumbered on Statement B. The new Form LM–2, including the new numbering system for the cash disbursement items can be found in the appendix to this final rule.

*Schedules 1–2.* These schedules are unchanged.

*Schedules 3 and 4—Sale of Investments and Fixed Assets and Purchase of Investments and Fixed Assets:* The Department adopts its proposal, but exempts certain stock transactions from particularized reporting as further discussed below. The first new column on the form, entitled "Name and Address of Purchaser (A)," will disclose the purchasers of investments and fixed assets from the labor organization, if in the aggregate the sales amount to \$5,000 or more per purchaser. A second column "Date (C)" will disclose the date of the sale. These additions will provide members of labor organizations and the public with information necessary to verify that the sale was transacted at market price and at arm's length, thereby helping prevent interested parties from unjustly enriching themselves by purchasing labor organization assets at below-market price. In addition to the reasons discussed below, this disclosure is important because if an insider (*e.g.*, officer or employee) receives property at below market price the receipt of such property is a disbursement to the insider that should be reported on Schedule 11 or 12.

As explained in the NPRM, 73 FR at 27349–50, the Department believes that Schedules 3 and 4 of the current Form LM–2 do not provide labor organization members with adequate information to

enable them to determine whether a particular purchase or sale of an investment or asset was transacted at market price and at arm's length. For instance, one labor organization in its latest Form LM–2 reported that it had sold a "John Deere Lawn Tractor, Trailer and Mower" for \$678, even though this asset had a book value and cost of \$18,000. Another labor organization reported that it had sold automobiles that had a book value of \$57,997, a "real estate investment trust" that had a book value of \$25,735, and furniture and equipment with a book value of \$7,634. For each of these items, the union listed the sale price as \$0. This same labor organization sold corporate stocks with a book value of \$29,570,505 for \$34,297,627. Another union sold a Ford Explorer for \$9,252 that had a book value of \$23,471. As explained in the NPRM, 73 FR at 27349, in all these situations, labor organization members would be unable to determine whether the labor organization received fair market value for the items that it sold, whether an insider benefited from these transactions, or whether the union's officials are properly managing the labor organization's finances.

The Department's review of data filed on the current Form LM–2 has demonstrated that the current form does not provide labor organization members with a clear understanding of the entities that are receiving in some cases hundreds of millions of dollars of the labor organization members' money. For instance, as discussed in the NPRM, *id.*, one labor organization listed disbursements of \$789,369,139, another labor organization reported disbursements of \$313,978,214, and another labor organization reported disbursements of \$156,544,561. Labor organizations also report smaller amounts on this schedule. For instance, three labor organizations reported disbursements of \$5,353, \$5,350, and \$6,952 on this schedule. None of the reports disclose the parties that sold these assets to these labor organizations. As such, the members of these labor organizations are not in a position to know whether these sums of money were well spent. The enhancements made today to Schedules 3 and 4 will help ensure the disclosure of any potential conflicts of interest between the seller and the labor organization.

The book value of an asset is the value at which the investment or fixed asset was shown on the labor organization's books and reflects the lower of its cost or market value. *See* 73 FR at 27413 (unchanged from current instructions to the form). The value of certain assets such as stocks can vary greatly within

the fiscal year. Because the date of sales is not listed on the current Form LM-2, a labor organization member is unable to determine whether the labor organization received good value on the sale transaction. As the Department explained in its proposal, 73 FR at 27349, the stock on the day of the sale may have been worth much more than its book value. In this scenario, a labor organization member would be unable to determine whether the stocks were sold by the labor organization at market value. The labor organization's financial report filed on the current Form LM-2 would show this transaction as a profit for the labor organization, but the transaction could also have been detrimental to the labor organization if the asset was sold at a price below current market value. The changes made in today's final rule will help ensure disclosure of any potential conflicts of interest between the purchaser and the labor organization. The schedule will total all individually itemized transactions and will provide the sum of the sales by itemized individual purchasers and the sum of all non-itemized sales of investments and fixed assets, as well as the total of all sales.

The Department received many comments supporting the proposed changes to the Form LM-2. Many of these comments were identical or nearly so. Commenters expressed support for the Department's proposed revisions to Schedules 3 and 4, which, in their view, would allow union members to spot transactions where union officers and employees are given advantageous prices when purchasing labor organization assets. Another commenter approved of the Department's ongoing promotion of transparency. Additionally, the commenter agreed with the Department that the additions to Schedules 3 and 4 will provide members with the information necessary to scrutinize those transactions to ensure the best practices when managing their money.

Some commenters questioned the wisdom of requiring unions to provide additional detail in the Form LM-2 reports, asserting that the new information would add length to the reports and further burden unions without benefit to members. They raised specific objection to the burden associated with reporting details concerning the sale and purchase of investments and assets. The Department does not expect the average member to investigate each investment or asset sale/purchase listed on the Form LM-2. Such an undertaking by a single member would be time consuming and impracticable. However, a member need

not study its labor organization's entire Form LM-2 for the report to be useful. The member can use the Schedules 3 and 4 summary schedules for quick references or use the search function to find specific transactions. For example, a quick look at the summary schedules for Schedules 3 and 4 might reveal a large number where one would expect a small number or a small number where one might expect a large number. Once one of these disparities is identified the member is free to search the itemized schedules for an explanation for the unexpected aggregate. In one case, a labor organization indicated on its Form LM-2 summary schedule that it had received \$527,937 from the sale of investments and fixed assets. This accounted for over 94 percent of the labor organization's total receipts. A closer look at Schedule 3 of its Form LM-2 indicated that the labor organization had received all of the \$527,937 from the sale of one building. This sale left the labor organization with only \$1,347 in fixed assets. Another labor organization indicated that it received \$64,389,415 from the sale of investments and fixed assets, almost half of the labor organization's total receipts. Upon closer inspection of the labor organization's Form LM-2 a member would find that \$15,782,856 of the \$64,389,415 was from the sale of "common stock." However, the same schedule indicated that none of the money from the sale was reinvested. Nothing indicates that either of these sales was illegal, but a member may want to know more about such a large sale of union assets. Further, itemization allows a member to search his or her labor organization's Form LM-2 for specific sellers or purchasers. Using the OLMS Web site, a member can easily search his or her labor organization's Form LM-2 for a specific seller or purchaser in seconds, e.g., the labor organization's president's brother. The changes to Schedules 3 and 4 will provide members with information necessary to verify that sales/purchases are transacted at market price and at arm's length.

The majority of the commenters believed that an exception should be created for the purchase and sale of publicly-traded assets on a registered market exchange. They stated that the reporting of these open market, arms length transactions would provide no relevant information to a member. Further, since these trades are through the "market," it is doubtful that the "seller" and "buyer" information is even available, due to investments being

pooled and matched by the investment broker market. The only purchaser information available to provide on the proposed new investment schedules would be that of the broker. A national labor organization pointed out that the Department does not require disclosure of transactions involving securities on registered public exchanges, such as the NYSE and NASDAQ, on Form LM-30. Therefore, the labor organization reasoned that the same transactions should not be disclosed on Form LM-2. In both contexts, such sales and purchases of securities are by definition transacted at "market prices" and "at arm's length." 29 U.S.C. 432(b).

The Department agrees with the commenters' position that an exception should be created for bona fide market transactions over a registered securities exchange. Consistent with the current Form LM-2 and the Form LM-30, the Department excepts marketable securities from itemization on Schedule 3. The labor organization will not be required to itemize the purchase or sale of marketable securities when the end seller or purchaser, i.e., the party transacting with the labor organization, is not known. (Such as sales of stock over a registered exchange.) The instructions have been revised and include the direction that "Marketable securities are those for which current market values can be obtained from published reports of transactions in listed securities or in securities traded 'over the counter,' such as corporate stocks and bonds, stock and bond mutual funds, state and municipal bonds, and foreign government securities." The total amount of such sales will be reported on Schedule 3 Detailed Summary page.

A number of commenters stated that their investment activities are run through independent investment groups, asserting that for this reason such activities should be excepted from the proposed reporting requirement. The Department disagrees that an exception for investment manager transactions is appropriate. Such an exception is neither good policy nor necessary. Although the investment manager may have independent control over the individual investments, the labor organization still has control over the manager. If the labor organization is dissatisfied with returns or particular purchases/sales, then it is free to hire a new investment manager. Thus, the investment manager is never truly independent. Further, the exception laid out above should alleviate many of the commenters' concerns. Most of the investment manager purchases/sales will qualify for the exception provided

for bona fide transactions made with a registered securities exchange. Those transactions that do not qualify for the exception, i.e., securities purchased outside these highly regulated channels, will be of particular interest to members, the public, and the Department. These are the types of transactions that are subject to abuse whether it is abuse by the labor organization or the independent investment manager. Therefore, the Department has chosen not to create an exception for investment manager transactions.

A number of commenters expressed a concern that the additional information required for the sale and purchase of investments on Schedules 3 and 4 will be deceptive. A national labor organization argued that the value of a given stock transaction cannot be understood absent an understanding of market conditions, news affecting that particular stock and market segment at the time of sale and the investment manager's strategy resulting in the sale. Additionally, it stated that the "market price" of a tangible item, such as a car, cannot be objectively determined without knowledge of the degree of wear-and-tear, local market conditions, and the like. Without these essential facts a national labor organization stated that listing the name of the purchaser and the date of the sale may well lead union members to conclude that a buyer received a windfall when, in fact, that is not the case. The labor organization suggested that the Department retain the current reporting format, aggregating the total of all such sales and purchases and the net effect on assets.

The Department disagrees with the suggestion that the proposed changes to Schedules 3 and 4 will be deceptive. As discussed earlier, members will be able to assess without difficulty whether the sale or purchase of an asset and its price appears appropriate given its timing and the existing market conditions. Unlike the previous Form LM-2, members will now be able to evaluate sales/purchases by date and purchaser/seller. This clearly improves the members' ability to evaluate a transaction in its particular context. To use an example discussed above and in the NPRM, 73 FR at 27349, a labor organization indicated on its Form LM-2 that it sold a Ford Explorer for \$9,252, but listed its book value at \$23,471. The previous Form LM-2 included price information and a general description. The identification of the buyer can be used to identify interested party transactions, but it can also be used to better understand the sale. For example, the Ford Explorer might have been sold to a dealership

rather than on the open market. In this case the identification of the buyer would alleviate any concern of an interested party windfall. The disclosure of this information will allow members to make preliminary assessments of sales/purchases from the information provided on the Form LM-2. If necessary, as discussed below, they can then exercise their section 201(c) right to obtain additional information about the particular transaction. It should be noted that most securities transactions will fall within the exception discussed above.

The additional information that will be disclosed on the Form LM-2 will enable union members, the general public, and the Department to focus their attention on particular transactions involving significant sums of money. As some commenters have acknowledged the information will be most directly beneficial to union members who will be most familiar with the transactions and the parties involved, but the information also improves the ability of the public and the Department to examine the details of a transaction. Moreover, to the extent the union believes that any particular transaction could be misleading, the union may choose to provide additional information on the Form LM-2 to minimize this possibility. By adopting this rule, the Department is setting a minimum standard that labor organizations must meet for reporting the sale and purchase of investments and assets. A number of commenters stated that the revisions were not necessary and would not benefit members. Multiple national labor organizations stated that union members already have access to any information necessary to assess sales of union assets. They explained that any individual member could exercise his or her section 201(c) right to obtain the information.

The Department recognizes that members possess the right to examine any books, records and accounts to obtain information on the purchase/sale of investments and assets under 29 U.S.C. 431(c). However, members have no way of knowing whether they need to request the information from the labor organization without the Form LM-2. As explained above, a quick look at the summary schedules for Schedules 3 and 4 might reveal a large number where one would expect a small number or a small number where one might expect a large number. Once one of these disparities is identified the member is free to search the itemized schedules for an explanation for the unexpected aggregate. In one case, a

labor organization indicated on its Form LM-2 summary schedule that it had received \$35,224,391 from the sale of investments and fixed assets. This accounted for over half of the labor organizations total receipts. A closer look at Schedule 3 of its Form LM-2 indicated that it had sold "corporate stocks" for \$34,297,627. See 73 FR at 27349. Nothing indicates that this sale was illegal, but a member may want to know more about such a large sale of union assets. Under the new reporting requirements the member will now be able to evaluate whether the transaction occurred at arm's length or not. The member need only look for the purchaser/seller information to know whether the transaction merits further inquiry. If the transaction occurred on a registered exchange the labor organization will not detail that transaction. In this case, the member will know that no insiders received unjust enrichment from the transaction. However if the transaction occurred not on a registered exchange but through some other means the transaction information of the date and identity of the purchaser/seller will be useful to the member. If the itemized schedules do not provide an adequate explanation or reveal a transaction with an interested party then the member is free to request additional information from the labor organization pursuant to 29 U.S.C. 431(c). This process is more efficient for both the labor organization and the member. Labor organizations will not have to provide information unless the member finds a particularly interesting transaction and the member will not have to request superfluous information to obtain a clear accounting of the labor organization's activities. Both itemization reporting and the changes adopted in this rule are essential to providing members with a clear picture of their labor organization's activities.

Two commenters offered alternatives to requiring a labor organization to disclose the name and address of the purchaser or seller in transactions involving labor organization investments and other assets. A labor organization suggested that if the Department is concerned about sales of assets for less than market value it can merely mandate disclosure of specifically such sales of union assets. Another commenter suggested that the Department pare down the report and ask about specific areas of concern. For example, instead of modifying Schedules 3 and 4 as currently proposed, the Department should simply ask about related party transactions and any non-routine

transactions and specifically define related parties.

In the Department's view, the suggested approach is a poor substitute for the full transparency achieved under the Department's proposal. The Department seeks to provide members with the tools by which each member can make his or her own evaluations of the financial decisions made by the officials of his or her labor organization. Although members as a general rule will have the greatest interest in matters involving a party in interest or a sale of an asset for less than market value, members will also have an interest in other less easily categorized transactions. For example, a member may have an interest in the sale of a building to a non-party in interest at what appears to be fair market price. As a general matter, the sale of the building might indicate to the member that his or her labor organization is selling off assets or not managing his or her money appropriately. But a sale of the asset to a particular individual or group, such as a sale to a company in which a union official's long-time associate has an interest or to a company in which a politician or his or her associate has an interest (who might have inside information about a possible change in zoning that would substantially increase the value of the property) would be of substantial interest to members. Itemization of the purchase/sale of investments and assets provides members with a base from which they can evaluate transactions.<sup>10</sup>

Therefore, the Department adopts the reporting requirements as outlined in the NPRM with an added exception that

<sup>10</sup> One commenter suggested that the Department replace the Book Value column with a Market Value or Par Value column. In the commenter's view, this change would allow those studying the Form LM-2 to determine whether the sale of an investment or fixed asset was at market value and at arm's length.

The Department has decided not to change the values reported on Schedules 3 and 4 column (E), "Book Value." Book value is "the value at which the investment or fixed asset was entered on the labor organization's books." Form LM-2 Instructions page 16. Depending on when the asset was obtained, the book value will reflect the asset's original or depreciated value. Book value allows for regularized reporting of the value of assets. Unlike market or par value (the latter applicable only to equitable assets and even then of limited utility to union members and the public), book value does not pose problems of verification in comparing the value of the reported asset and the value carried on the union's books. Further, unlike market value which can be determined independently through the market (e.g., by bluebook, comparable real estate values, market price of stock) book value cannot be easily ascertained by union members and others reading the Form LM-2. For these reasons, the Department views the book value as an essential check to determine the union's compliance with this aspect of its reporting obligation.

labor organizations need not report bona fide purchases or sales of securities traded on a securities exchange registered as a national securities exchange under the Securities Exchange Act of 1934, shares in an investment company registered under the Investment Company Act of 1940 or securities of a public utility holding company registered under the Public Utility Holding Company Act of 1935.

*Schedules 5–10.* These schedules are unchanged except for a minor editorial change to the instructions for Schedule 7 to clarify the reporting of information about a trust in which a labor organization is interested. *See n. 6.*

*Schedule 11—All Officers and Disbursements to Officers; and*

*Schedule 12—Disbursements to Employees:* The Department proposed two substantive changes to the categories of disbursements reported on these schedules: Reporting of indirect disbursements to officers and employees for hotels (room rent charges) and public carrier transportation; and disclosure of benefits disbursed to officers and employees. No commenters suggested that one approach was appropriate for officers and another for employees. In today's rule, the same revisions are being made to both Schedules 11 and 12. In today's final rule the Department has decided to adopt the proposed items with minor changes. These changes are discussed below.

*a. Indirect Disbursements to Officers and Employees for Hotels (Room Rent Charges) and Public Carrier Transportation*

The Department proposed to eliminate the existing exception to the reporting of indirect disbursements, thus requiring the reporting of both direct and indirect payments on behalf of a particular union official for hotels (room rent charges and public carrier transportation charges) on Schedule 11. The Department adopts the proposal, with a minor clarification as discussed below.

Indirect disbursements for official business, which include travel and lodging expenses, will be reported in Column G, on both Schedule 11, "All Officers and Disbursements to Officers" and Schedule 12, "Disbursements to Employees." This column is clearly identified, and is distinct from columns listing gross salary, allowances, and benefits. Concerns raised by commenters that union members may not grasp the "nuances of the reporting categories" and that disclosure would result in inflated figures of total compensation are unwarranted.

As explained in the NPRM, 73 FR at 27350, disbursements for temporary lodging and transportation made directly to a labor organization official by the labor organization are now reported, by individual, on Schedule 11; however, if the labor organization pays the vendor directly for the travel it is not reported by individual. This distinction does not serve the purpose of section 201(b)(3) of the LMRDA, 29 U.S.C. 431(b)(3), which calls for reporting of "other direct or indirect disbursements (including reimbursed expenses) to each officer and also to each employee."

A "direct disbursement" to an official is a payment made by the labor organization to the official in the form of cash, property, goods, services, or other things of value. An "indirect disbursement" to an official is a payment made by the labor organization to another party for cash, property, goods, services, or other things of value received by or on behalf of the officer. Such payments include those made through a credit arrangement under which charges are made to the account of the labor organization and are paid by the labor organization. For example, when a union, through its credit arrangements, is billed directly and pays the airline bills of an officer or employee, the union will have to include this amount as part of the disbursements made to the particular official. If the credit arrangement results in an invoice that is detailed by officer or employee, e.g., hotel room rent charges, the labor organization will use this detailed invoice when allocating expenses by officer or employee. If the billing arrangement is set up in such a way that expenses are not detailed by officer or employee, e.g., when a labor organization purchases a block of hotel rooms for its officers or employees, then the labor organization will divide the total cost by the number of officers or employees for which the expense was incurred. The instructions to the form now clarify that unions may allocate these disbursements in this manner.

The distinction between reporting of direct and indirect disbursements was established because of the difficulties faced by unions over 40 years ago in reconstructing documentation for certain payments for their prior fiscal year. Because of this difficulty, organizations were allowed to report such disbursements as functional expenses of the organization rather than as disbursements to particular officials. This distinction remained in the instructions and was not revisited by DOL despite changes in data reporting and record retention methods over the

intervening decades. This issue was not addressed in the 2002–2003 rulemaking.

As noted in the NPRM, 73 FR at 27350, payment for an official's travel and lodging expenses by credit card does not reduce the significance of the expense to a labor organization member; yet the current Form LM–2 treats the method of payment as significant. Travel and lodging expenses for a particular official may raise questions among the membership for various reasons. The choice of transportation by public carrier (airplane, train or bus) and the level of accommodation (first-class or coach) may be significant to a member. Lodging choices may run from a motor inn to a five-star hotel; where options are available, the officer's choice of accommodation may be significant to a member. However, the mode of payment now controls whether a labor organization member knows the full extent of disbursements made for a particular official of the labor organization. Although the specifics of the travel will not appear on the Form LM–2, members will have a better understanding of the total amount of disbursements made to or on behalf of a particular official. Through this more complete reporting, members of the labor organization will be better able to determine whether such disbursements warrant further scrutiny, including review of the underlying documentation maintained by the labor organization.

The Department received almost 500 form letters endorsing its proposal to require disclosure of indirect disbursements. These commenters stated that such disclosure would provide union members a more accurate idea of how much their union is spending on these matters. Noting agreement with the proposal, a commenter stated that all expenditures for travel for officers should be reported regardless of the method of payment to the vendor. Another commenter noted specific examples of union spending that highlighted the importance of disclosure of travel disbursements. The commenter explained that while one large union's membership declined 15% last year, the union expended members' dues money to hold meetings at resorts and casinos in destinations including Palm Springs, Las Vegas, and Atlantic City.

One commenter alleged that a review of the legislative history of the LMRDA does not provide support for the disclosure of indirect disbursements made on behalf of an officer or employee for official business. The commenter alleged that Congress was particularly concerned with schemes through which corrupt employers and

union officials could enrich or benefit themselves by structuring indirect payments through relatives or to vendors of goods and services that were unrelated to their duties as union officials.

While Congress did evince a particular concern over corrupt schemes in which union officers sought to enrich themselves through indirect payments, it also clearly intended that union members receive a full accounting of their union's financial operations. *See* discussion above, at n.8. The mandate for a full accounting does not exempt transactions that may be considered "official business."

Commenters questioned the utility of providing disclosure of indirect disbursements. The Department believes that union members have an interest in learning the full extent of disbursements made to or for labor organization officials. Travel and lodging expenses may be of particular interest when officers and employees are not utilizing particularly cost effective modes of transportation, levels of accommodation, or choice of lodging. This more complete reporting will help members determine whether such disbursements warrant further scrutiny. Information about travel and lodging expenses is no less valuable when payments are made indirectly to the vendor rather than directly to the union official.

Several commenters suggested that sums aggregated by individual officials, as called for under the proposed rule, could easily be misconstrued by membership and the public. One commenter believed that the data would unfairly make individual officers targets because of their "allegedly excessive spending." They provided as an example the contrasting circumstances of two union officials—one who travels often, but cheaply, will have a large amount of money in travel expenses, while another official who only travels once but flies first class and stays at a high-end hotel will appear to be more fiscally responsible with union funds. The Department recognizes that dollar figures alone will not show how profligate or not union officers are with their members' money. A member, however, who is familiar with the demands of an officer's duties, including travel on behalf of the union, will be able to determine from the sums reported whether the expenses incurred seem about right or not and, if the latter, identifies a need for closer scrutiny of particular expenses. One commenter stated that the proposed change would allow "labor's enemies" to falsely inflate an official's compensation by

including the cost of legitimate business travel. Another commenter noted that such indirect disbursements do not meet the IRS definition of income. As discussed earlier, the Department believes that union members deserve the benefit of increased transparency and these commenters' concerns can be best addressed by providing information about a union's policies, so members will better understand the amounts reported by individual officers. Better education may also be the answer to concerns about false claims about disbursements to union officer officials. In any event, the Department does not believe that members should be denied information relevant to disbursements made to their officers because of the asserted "misuse" of public information. Because Congress chose to make union financial reports public, the Department is required to make public information it deems necessary for union members to possess a full picture of their union's finances. Finally, the Department recognizes, as it believes the public does also, that the Form LM–2 and IRS forms do not capture identical information. Indirect disbursements represent a significant aspect of a union's expenditures—and as such are important for purposes of disclosure without regard to any tax consequences they may pose for individuals.

Commenters also noted that aggregation of the data by specific officers would not provide the same utility as disclosure of the specific details of such payments and that aggregation may prove misleading to members. Two commenters argued that disclosure of union travel and expense policies would be more useful to members than data regarding indirect travel expenses. One commenter asserts that the data revealed by eliminating the exemption for indirect expenses will not afford union members any more useful information than they already have by examining the labor organization's itemized expenditures for individual hotels and common carriers on Schedules 15 and 19. This commenter provides that a union's travel and expense policies, which are available to members upon request, are far more probative because they explain the types of expenses that officers and employees are entitled to incur when they travel. Some commenters noted that providing specific details of payments for travel and lodging would be more useful to union members than providing aggregate sums. Two international unions argued that requiring disclosure of union travel and expense policies would be more useful to members.



The Department acknowledges that providing union members additional information regarding the specific details of travel disbursements and providing members copies of travel and expense policies would provide the members access to possibly useful information. As noted in the NPRM, 73 FR 27350, eliminating the exception from reporting indirect disbursements will provide union members a more accurate accounting of the total amount spent on travel and lodging for union officials. This data will help union members better determine whether further investigation is warranted. To the extent that labor organization commenters believe greater detail would benefit union members, labor organizations are free to amend their bylaws to require a level of disclosure or specificity that is greater than that required by the Form LM-2.

**b. Disclosure of Benefits Disbursed to or on Behalf of Officers and Employees**

As a second change to this schedule, the Department proposed the addition of a new column to allow disclosure of benefits disbursements made to each labor organization official. The final rule adopts the proposed changes. Columns “(A)” through “(E)” are unchanged from the current form. Column “(F)” will be redesignated “Benefits.” This is the only new column on the schedules requiring disclosure of additional information. Column “(G)” will be redesignated “Disbursements for Official Business.” Column “(H)” will be redesignated “Other Disbursements not reported in (D) through (G).” Column “(I)” will be added for “Total.”

In response to comments received, the Department is adding clarifying information to the requirements for this schedule as follows:

- Reasonable estimates may be used if precise cost figures are not readily available for benefits provided to individual officers, e.g., insurance premiums, defined benefit plan contributions, and so forth.

- FICA, federal and state unemployment tax, workers’ compensation taxes, and other employer taxes that are legally required to be paid by the employer are not included within the scope of benefits for officers and employees. These types of payments are to be reported on the Form LM-2 in the manner provided for in the current instructions.

- The reporting changes adopted by this rule only apply to disbursements on behalf of labor organization officers and employees. These changes do not apply to disbursements to persons who are no longer officers or employees of the labor

organization. Thus, disbursements on behalf of individuals who have retired from employment by the labor organization will be handled the same way that these disbursements are currently handled for members, *i.e.*, they will be aggregated in Schedule 29.

In proposing the identification of total benefits paid to officials on an individual by individual basis, the Department explained that the current Form LM-2 fails to provide sufficient information on disbursements by the labor organization to or on behalf of its officers. *See* 73 FR at 27350. In the Department’s view, labor organization members should know the value of benefits paid by the union to its officers. Benefits received by officers for life insurance, health insurance, and pensions, for example, make up an important part of the compensation package paid for by the union and its members. Reporting benefits disbursed in the aggregate on Schedule 20 (*i.e.*, reporting the total benefits paid to all union officials) does not provide a complete picture of compensation received by individual labor organization officers. For example, as noted in the NPRM, *id.*, one local in its Form LM-2 listed almost \$500,000 for “Officer’s Union Fringes” even though the labor organization had fewer than ten full-time officers. From this information alone, a member of a labor organization would have no way of knowing, for example, if these benefits were evenly distributed among the officers, or if one officer received \$400,000 and the other eight officers split the remaining amount. Rather than report fringe benefits in the aggregate on the current Schedule 20, the labor organization will now report the benefits on Schedule 11 by individual labor organization officer.

In another instance, again as noted in the NPRM, *id.*, a labor organization reported payments of \$49,542 to “Various Companies” for “Benefits Administration” and payments of \$64,219 to “Various School Districts” for “Benefits paid on behalf of officers.” Another labor organization reported on its Form LM-2 total disbursements of \$461,971, \$460,203, and \$244,780 to certain individual officers. *Id.* This disclosure did not take into account that these same officers and employees also received \$181,297, \$184,397, and \$161,240 respectively as contributions to their employee benefit plans. These benefits payments were reported to the IRS on an individual-by-individual basis, as required by the IRS; however, these payments are simply lumped together on the Form LM-2, without identifying the amounts paid to

individual officers. The above examples demonstrate that the current Form LM-2 fails to provide a full accounting of labor organizations’ disbursements to their officials. The current Form LM-2 allows benefits payments made to or on behalf of officers to be lumped together with general benefits paid to members in Schedule 20. With such large disbursements listed in one category, it is impossible for labor organization members to ascertain what benefits are being paid to labor organization officers and employees. The Department believes that combining these disbursements into an aggregate on a single schedule does not adequately inform labor organization members and the public regarding benefits paid to labor organization officers, and thus in this area the full reporting mandate of the LMRDA is not fulfilled.

By requiring unions to report the total amount of benefits disbursements made to each officer, members and the public will see the total payments made to or on behalf of each officer. This increased transparency will better enable union members to evaluate whether the compensation paid to each officer is appropriate for the services he or she renders to the organization. This information will allow union members, among other uses, to debate and vote to change the amount of the compensation if they deem it appropriate and consistent with their organization’s constitution, by laws, and the organization’s financial status. They also will be able to evaluate whether the costs of the benefits provided by the union are in line with market conditions and benefits paid to officers by other labor organizations—a factor that may bear on the performance of the union officials with stewardship over the union’s finances.

The Department received mixed comments on its proposal. About 500 commenters who submitted form letters endorsed the Department’s proposal to require unions to report aggregate benefits disbursements for each officer and employee. One commenter cited data from a large labor organization’s 2007 Form LM-2 that showed pension benefits paid of \$15,858,309 and combined payroll for officers and employees of \$40,468,063. The commenter noted that the data may indicate “very generous pension benefits,” but without the proposed change “there is no way of telling from looking at Form LM-2.” Many others opposed the proposal. One commenter stated that the proposed disclosure of aggregate benefits data is unnecessary because union members already have access to much of this information

already under the Form LM-2; others stated that any other information needed may be obtained by invoking their “just cause” right to examine the union’s underlying financial reports; while some suggested that the information, as earlier noted, was available to union members by requesting a copy of the union’s IRS Form 990. While the Department agrees that the current Form LM-2 provides important information about the salaries paid to individual officers, members receive only an incomplete picture of the payments made to individual officers. Without the reporting required by today’s rule, members would be left guessing as to the total compensation paid to particular officers. Moreover, as discussed further below, the IRS Form 990 fails to provide the same level of transparency as proposed by the Department.

Commenters are correct that labor organizations are required to track and report officer benefits disbursements for the IRS Form 990. There is a minor level of overlap in the information required to be disclosed for officers and employees on the Form 990 and the Form LM-2. Disclosure of benefits disbursements on the Form LM-2 is not identical to the disclosure required on the Form 990 because the Form 990 requires disclosure of this information for “key employees,” unlike the Form LM-2 where this information must be disclosed for all employees earning \$10,000 or more a year.<sup>11</sup> As such, while there is overlap between the Form 990 and the Form LM-2, the Form LM-2 will provide more comprehensive information because the required disclosures apply to a larger group of individuals. Moreover, the Department’s proposal ensures that all members will have ready access to this particular information in a single database. While some members might be aware that individual payments would be reported to the IRS, others are not likely to be aware of this disclosure source. Additionally, union members should be able to determine easily the total

compensation paid to all their officials, not merely the key officials. Where a labor organization has a large number of highly paid employees, only a fraction will be reported on the Form 990. While a few commenters suggested that the Department underestimates the burdens associated with tracking the information in a way that allows compliance with both the Form LM-2 and the IRS Form 990, the Department remains convinced that unions can maintain their records in a way that avoids any unnecessary additional burden. This point is further discussed below in the Department’s analyses under the Regulatory Flexibility Act and the Paperwork Reduction Act.

Other commenters stated that members already know or can easily estimate the value of the benefits paid to officers. One commenter stated that each of its officers and employees participated in the same medical plan as its members, so members could already ascertain the value of the benefits provided to officers and employees. The Department recognizes that in some instances a member can estimate the value of a particular benefit, but that this will exist only for certain benefits and for certain unions. Transparency is ill served where it varies from union to union and from benefit to benefit.

Several commenters asserted that some benefits would be difficult to report on an individual-by-individual basis. For example, one commenter noted that it would be burdensome to collect data because there may be multiple benefit plans involved (0034) (0044). Another commenter noted that the insured group may vary from month to month, requiring the organization to recalculate the amount attributed to each officer and employee, which may result in increased costs. Other commenters requested clarification of how to treat benefits for retirees, lump sum benefit data, and administration expenses associated with benefits.

The Department recognizes that labor organizations may have to estimate the particular value of a benefit provided a union official. It is not the intention of the Department to impose on unions a complex methodology to arrive at the most precise valuation of benefits made to each individual official. In this regard, the Department notes that the IRS, which requires labor organizations to report all forms of deferred compensation, allows: “[r]easonable estimates \* \* \* if precise cost figures are not readily available.” See instructions to 2007 IRS Form 990, p. 41. Under this final rule, the Department will also accept reasonable

good faith estimates of the value of benefits paid to individual officials.<sup>12</sup>

As noted above, several commenters expressed concerns about the need to report information that could intrude upon an individual’s legitimate concerns for his or her privacy. Several commenters raised a generalized concern that the proposal would raise privacy issues under HIPAA. Four commenters raised specific concerns about reporting payments where the labor organization is self-insured and thus pays directly for the health care of its officials. The commenters argue that a self-insured organization would violate HIPAA by providing information relating to “past payment[s] for the provision of health care.” One commenter noted that it would be unable to report some information, even if it were required, because the employees in the union’s accounting office are unable to view records that include protected health information. Two comments noted that the proposal would allow a union member for just cause to examine the underlying information which would violate HIPAA. Another commenter, while noting that the Department was not requiring labor organizations to identify the nature or value of any particular benefit—the Department proposed only that the total value of all the benefits to an individual be reported—questioned whether this would sufficiently address HIPAA privacy concerns.

As noted in the NPRM, 73 FR at 27351, the Department is fully cognizant of the need to protect the legitimate privacy interests of individuals under HIPAA and other laws. To further address the concerns of commenters, the Department, as discussed below, has clarified the rule to further protect the privacy of individuals. However, the Department disagrees with the premise of some commenters that the rule as proposed infringed on the privacy of individuals. In the 2003 revisions to the Form LM-2, the Department made the decision to aggregate the benefits paid to union officials on Schedule 20 (Benefits) based on privacy considerations. See 68 FR 58374, 58387, 58399, 58426 (Oct. 9, 2003). Based on those same considerations, the Department crafted Schedule 11 and Schedule 12 in order to preserve the privacy interests of individuals. Under the proposal and the final rule, a person

<sup>11</sup> For Form 990 purposes, the IRS defines a “key employee” as “any person having responsibilities, powers, or influence similar to those of officers, directors, or trustees.” Instructions to IRS Form 990 (2007), at p. 40. To illustrate this requirement, the IRS states: A chief financial officer and the officer in charge of the administration are both key employees if they have the authority to control the organizations, activities, its finances, or both.” *Id.* For the 2008 tax year, the IRS is requiring Form 990 filers to also provide information on the filer’s five current highest compensated employees (other than officers, directors, trustees, or key employees) receiving more than \$100,000 in reportable compensation from the filer or related organizations. IRS Form 990 (2008), Part VII, Section A, 1a.

<sup>12</sup> As noted in the NPRM, 73 FR at 27351, the changes are consistent with the level of disclosure required in other contexts for executive and employee compensation. Both the IRS (see Form 990) and the Securities and Exchange Commission (see 71 FR 78338 (2006)) require similar disclosure for certain officials.

reading the report would be unable to ascertain what types of benefits labor organization officers and employees receive, only the total value of these benefits. For instance, if a labor organization officer received a matching contribution to a 401(k) plan in the amount of \$5,000, indirect payment of health insurance premiums in the amount of \$6,700, and a health club membership in the amount of \$1,200, the labor organization's Form LM-2 would disclose that this officer received a total of \$12,900 in benefits. Given that benefits that must be reported are aggregated without identifying the nature of particular benefits that comprise the total, the potential for disclosing information of a private or protected nature is only remotely possible if at all. However, in those rare instances, where a labor organization, in good faith and on reasonable grounds, believes that a particular disclosure would violate HIPAA, or other federal or state law, or confidential settlement agreement, it should not include that particular information for the affected individual, but should instead include its value as part of the aggregated, non-itemized amount reported on the schedules and identify that reason and the individual affected in item 69 (additional information) of the Form LM-2.

On a related matter, a commenter questioned whether FICA, federal and state unemployment tax, long term disability insurance, accident death and dismemberment insurance, and workers' compensation would be required to be included in the benefits disclosure by the officer or employee's name. As noted above, the Department is not requiring labor organizations to report the value of such payments on an individual-by-individual basis.

**Schedule 13—Membership Status:** This schedule is unchanged.

**Detailed Summary Page:** The current detailed summary page contains information from Schedule 14 through Schedule 19. The new detailed summary page, as proposed and adopted by today's rule, includes information from Schedule 14 through Schedule 29. These summary pages provide a snapshot of the labor organization's activities. Members of the union and the public may then use this snapshot to determine whether further analysis of the individual itemized schedules is required. There is no additional burden associated with these summary schedules because the software will automatically enter the totals in the appropriate lines of the summary schedules as the labor

organization fills out the individual itemization schedules.

**Schedules 14–22.** Currently, Form LM-2 filers only report the total amount received from dues and agency fees, per capita taxes, fees, fines, assessments, and work permits, sales of supplies, interest, dividends, rents, receipts on behalf of affiliates for transmittal to them, and receipts from members for disbursement on their behalf on Statement B. As noted in the NPRM, these line items exceed \$20 million in some instances. 73 FR at 27351. For example, one labor organization stated that it received over \$298 million in per capita taxes and another received over \$28 million in rent. *Id.* Little useful information can be discerned from these totals alone. The Department proposed that for each of these schedules the labor organization would separately identify payments from any individual or entity that alone or in the aggregate total \$5,000 or greater during a reporting period. The Department has adopted this proposal with some modifications for schedules relating to the receipt of dues payments and per capita taxes. The general instructions for completing these schedules have been modified to account for these changes, including notice to filers that they should complete the revised schedules 14 (“Dues and Agency Fees”) and 15 (“Per Capita Tax”) before completing the summary detail page.

As explained in the NPRM, 73 FR at 27351, the lack of itemization of most receipts on the current Form LM-2 makes it easier for individuals to embezzle money coming to labor organization accounts. In one case, the president and treasurer of a local labor organization converted over \$184,129 in dues checks. *See* 73 FR at 27352. One commenter took issue with this example in the NPRM, stating that simply requiring a listing of checks received by a Form LM-2 filer will not prevent the type of embezzlement identified in the example. (38) The commenter noted that the purpose of every receipt is not reflected in a corresponding disbursement of the same amount, reducing the value of the new itemization schedules. The Department agrees that it will not be possible to track the disbursement of each receipt from the information on the revised Form LM-2. The difference between the receipt and disbursement functional categories makes such a comparison impossible. Nonetheless, the itemization of individual receipts provides helpful information to union members. The revised form will contain itemized information for each check that is \$5,000 or more and disclose whether

other checks aggregate to \$5,000 or more. The change will address this problem, which extends to all the various reporting categories on the current form and not merely the receipt of dues payments, because now receipts-side embezzlements like the embezzlement of \$184,129 mentioned above will be harder to hide.

The Department proposed to add new schedules that coincide with the items of cash receipts listed on Statement B.<sup>13</sup> In today's final rule, the Department adopts the proposal with the modifications discussed below. The Department is revising the existing Form LM-2 to include schedules for dues and agency fees, per capita taxes, fees, fines, assessments, and work permits, sales of supplies, interest, dividends, rents, receipts on behalf of affiliates for transmittal to them, and receipts from members for disbursement on their behalf. Except as discussed below, the itemization schedules for receipts will operate in the same fashion as do the itemization schedules for disbursements.

**Schedule 14—Dues and Agency Fees.** The Department proposed the requirement that a labor organization report dues and agency fees of \$5,000 or more it receives from an individual or entity during the reporting period, and that each individual payment of \$5,000 or more be disclosed on a separate line. The Department adopts the proposal as modified. As modified, labor organizations are not required to itemize such payments made by individual members. The aggregate dues and agency fees received directly from a represented employer must be reported by each individual employer. However, as modified, filers will only have to report for each employer the total such payments received during the reporting period—not each payment from the employer that alone or in combination with other payments is \$5,000 or greater. Filers will enter in Column (A) the full name and business address of the represented employer. Filers will enter in Column (B) the purpose of the receipt of \$5,000 or more, which means a brief statement or description of the reason the receipt was received. An adequate description includes information about the number and type of units covered by the receipt and the number of employees covered by the receipt. Filers will enter in Column (C) the total received from the represented employer during the reporting period.

Some commenters expressed concerns with the difficulties associated with

<sup>13</sup> Current schedules 14 through 20 will be re-numbered as schedules 21 through 29.

itemizing the receipt of dues. As explained by one commenter, its members work for multiple employers that are signatory to collective bargaining agreements. Under collective bargaining agreements, working dues are deducted from members' paychecks and forwarded to an intermediate body or a local union. The commenter explained that in such situations information regarding the specific employer may not be transmitted to or recorded by the intermediate body, leading to difficulties in how to report such receipts. The commenter posited three possibilities: The dues can be considered received from (a) the member from whose paycheck the dues were deducted, (b) the employer that forwarded the dues either to the labor organization or to another entity that then forwarded the dues to the labor organization, or (c) where the working dues were sent by an employer to some other entity and then forwarded to the union, the entity that forwarded the dues. Another commenter explained that many unions do not allocate or transmit on a receipt-by-receipt basis the dues they receive on behalf of local unions or affiliates. The commenter explained that under the unions' own internal procedures they would do so only periodically and based on the total amount collected during that period. This commenter explained that the itemization of dues receipts would have to make calculations that do not correspond to the amounts they actually transmit to their locals; he also indicated that unions would have to devise accounting systems that pro rate every dues check received or perform such calculations manually. One commenter explained that the timing of the dues deductions from members' pay varied from unit to unit and that employers of more than one unit often remit payment for these units in a single check to the international. One commenter expressed concern that the Department was confused about how dues money is handled by most unions, including unions in the railroad industry.

The Department believes that labor organizations have misread the Department's proposal and thereby overstated the burdens associated with reporting the receipt of dues payments. The Form LM-2 Instructions, as proposed, state on page 31 that the filer must enter "the purpose of each individual receipt of \$5,000 or more which means a brief statement or description of why the union received the receipt." See 73 FR at 2742. The proper reporting of dues will depend on

how the dues are collected. If the dues are received directly from the employer, the labor organization receiving these payments should identify the employer that sent the dues. If another entity, such as an intermediate body, sent the dues to the labor organization, then the labor organization receiving the payments should identify the intermediate body and the intermediate body should list the dues payments received from the employer on the schedule for "receipts on behalf of affiliates for transmittal to them" (now renumbered as schedule 21). Both the intermediate body and the labor organization must identify the units covered by the payment.

If a parent labor organization receives \$5,000 or more on behalf of affiliates for transmittal to them from a represented employer covering an affiliated labor organization then the parent labor organization must identify the payer, the type or classification of the payment (which in most cases will be dues), the purpose, including information as to which affiliates the receipt covers, and the amount of the receipt. This type of information will be readily available as the parent must determine what portion of the check is to be disbursed to each local. The Department recognizes that unions may have to change the manner in which they capture and report information such as dues, but they remain free to devise their own procedures for collecting this information in order to meet the reporting requirements. The Department has not required unions to conform their procedures to a prescribed template; they are free to craft their own procedures so long as the dues receipts are fairly and accurately allocated and reported.

Two commenters expressed concern that the itemization of the dues schedule would disclose members' personal information. Under the proposal, a labor organization would have to report the member's name and address. The commenters felt that members' names and addresses should remain confidential. The same concern was expressed with respect to initiation fees, fines, assessments, and work permits. The Department has accommodated these concerns. The Department is not requiring the identification of members who made payments directly to their labor organization for dues, fees, fines, assessments, work permits, and disbursements on their behalf. Instead, the labor organizations should add these amounts to the aggregate reported on the line 3 (Other Receipts) of summary schedules 14, 16, and 22.

*Schedule 15—Per Capita Tax.* The Department proposed that a labor organization report on a new Schedule 15 per capita payments it receives from an individual or entity during the reporting period. The Department adopts the proposal as modified to clarify how the information should be described.

The labor organization will report per capita taxes of \$5,000 or more received during the reporting period. Per capita taxes received directly from a labor organization must be aggregated for the year and reported by each individual labor organization. Filers will enter in Column (A) the full name and address of the labor organization from which the per capita tax was received. Enter in Column (B) the purpose of the receipt of \$5,000 or more, which means a brief statement or description of the reason the receipt was received. An adequate description includes information about the number and type of units covered by the receipt and the number of employees covered by the receipt. Filers will enter in Column (C) the total received from the represented employer during the reporting period.

The Department received several comments relating to the reporting of per capita taxes. Because the comments on this schedule were essentially the same as those received on the other new schedules proposed for a labor organization's receipts, they are discussed together below.

*Schedule 16–22.* As earlier discussed, the Department proposed the addition of these schedules to capture, by functional category, a labor organization's various receipts. Labor organizations are required to itemize the individual categories of receipts aggregated to \$5,000 from any one source. The labor organization will be required to complete a separate itemization schedule for each individual or entity from which the labor organization has received \$5,000 or more. Each transaction from that individual or entity will include information about the individual, the purpose of the payment, the date of the payment, and the amount of the payment. The total amount received from the individual or entity, both itemized and non-itemized, will be included at the bottom of the itemized schedule. The totals from each itemized schedule will then be added together and that number will be entered in the appropriate item on Statement B.

By establishing this reporting obligation, the Department is requiring labor organizations to provide the same information about their "major" receipts as they are currently required to report

about their “major” disbursements. Most of the general comments about the proposal to require itemization of both sides of the ledger were addressed earlier in the preamble. Neither those comments nor the Department’s response to those comments will be repeated. Instead, only comments about particular aspects of the receipts schedules, not already discussed, are addressed below. Schedules 16, 21, and 22, like Schedules 14 and 15, require filers to identify receipts by units, jobs, and timeframes. The instructions have been modified for this purpose.

A national labor organization stated that it does not break down sales of supplies by entity and will have to alter substantially its account system to track the sales of supplies to affiliates by entity. Another national labor organization was particularly concerned with itemizing receipts on Schedule 21, “Receipts on Behalf of Affiliates for Transmittal to Them.” The commenter explained that many parent labor organizations collect dues, fees, and other amounts that include the members’ dues for subordinate or local unions. The commenter stated that it will be extremely difficult to designate the precise amount of each receipt to be transmitted to one or more locals or affiliates. One labor organization calculated that the proposed receipts schedules will increase its yearly burden by 250–500 hours (compared to the Department’s estimated average of .47 hours per year). A commenter estimated that the “per capita tax” schedule alone would increase the number of itemized entries on its Form LM–2 by 1,200. Another commenter stated that under the Department’s proposal it would have to make about 10,000 itemized entries, one for each employer from whom it receives members’ dues payments.

As stated earlier in this preamble and in the preamble to the proposed rule, greater transparency promotes the detection of embezzlement and financial irregularities and, in so doing, also deters individuals at the front end from engaging in criminal or other improper conduct. Receipts from dues, per capita taxes, and sales of supplies are as susceptible to embezzlement or other improper use as any other receipt. For example, as noted in the NPRM, 73 FR at 27351–52, the president and treasurer of a local labor organization converted over \$184,129 in dues checks. The dues and agency fees schedule will provide an essential check for transactions between affiliates and parent bodies.<sup>14</sup>

Members of the affiliate labor organization will be able to check the amount their labor organization received in dues against the parent labor organizations receipts on behalf of affiliates for transmittal to them. The same analysis can be done on lump sum payments from the represented employer to the parent labor organization covering multiple affiliates. The member need only look at each of the covered affiliates’ dues schedule and aggregate the payments to ensure they match the sum reported on Schedule 21. A difference in these two numbers could indicate embezzlement and warrant further investigation.

As discussed in the NPRM, 73 FR at 27352, the per capita tax schedules of affiliates and parent labor organization can also be used to detect embezzlement and financial irregularities. The member can check for possible embezzlement or misallocation of funds owed his or her labor organization by checking his or her labor organization’s per capita tax disbursements reported in Item 57 against the per capita tax receipts of the parent and its intermediate bodies. This can be done by entering his or her labor organization’s name in the payer/payee search available on [unionreports.gov](http://unionreports.gov). The search results will identify each labor organization that received per capita taxes from the member’s labor organization. These payments can then be aggregated to determine whether the per capita disbursements from the member’s labor organization match the per capita receipts reported on all the recipients’ per capita tax schedules (Schedule 15). A difference in these two numbers could indicate an embezzlement or misallocation and warrant further investigation.<sup>15</sup>

payment from hundreds and, in some cases, thousands of employers. Although this will add length to the reports, the recurring burden will be minimal given the sorting feature in accounting software. Further, members interested in tracking payments to and from the national organization and between that organization and an intermediate body of local labor organization will be able to quickly search for payments involving particular employers, labor organizations, and bargaining units. The Department expects that most labor organizations already track such payments in order to ensure they are receiving the appropriate amount in dues payment and that most will receive payments from only a relatively small number of employers.

<sup>15</sup> One commenter noted that it has 750 local affiliates, the vast majority of which have no office address other than the home of the local president or treasurer. It explained that all of these local affiliates make per capita payments over \$5,000 per year and therefore it would be required to report on Schedule 15 the name and address of the person/entity making the payment. Expressing concern for the privacy of these officials, it urged the Department to except it from reporting their home addresses. The Department does not agree that an exception is necessary. Labor organizations already must disclose a publicly available address for itself

*Schedule 23—Other Receipts:* This schedule, currently numbered Schedule 14, will be renumbered Schedule 23. No other changes will be made to this schedule.

*Schedule 24—Representational Activities:* This schedule, currently numbered Schedule 15, will be renumbered Schedule 24. No other changes will be made to this schedule.

*Schedule 25—Political Activities and Lobbying:* This schedule, currently numbered Schedule 16, will be renumbered Schedule 25. No other changes will be made to this schedule.

*Schedule 26—Contributions, Gifts and Grants:* This schedule, currently numbered Schedule 17, will be renumbered Schedule 26. No other changes will be made to this schedule.

*Schedule 27—General Overhead:* This schedule, currently numbered Schedule 18, will be renumbered Schedule 27. No other changes will be made to this schedule.

*Schedule 28—Union Administration:* This schedule, currently numbered Schedule 19, will be renumbered Schedule 28. No other changes will be made to this schedule.

*Schedule 29—Benefits:* This schedule, currently numbered Schedule 20, will be renumbered Schedule 29. As described above in the discussion regarding the proposed changes to Schedule 11 and Schedule 12, those benefits inuring to officers and employees of the labor organization will be listed next to the corresponding officer’s or employee’s name. Apart from this change, the same disbursements that were disclosed on Schedule 20 will be disclosed on the new Schedule 29. These include direct and indirect disbursements associated with direct and indirect benefits to members and members’ beneficiaries.

#### Special Procedures for Reporting Confidential Information

The Department requested comments on whether to narrow, clarify, or remove the confidentiality exception from the Form LM–2 instructions. The Department recently considered this same question in connection with the Form T–1 rulemaking. There the Department issued a final rule retaining the special procedure without change but cautioning that it was to be used in

or a registered agent for service of process in order to comply with state corporation laws. Further, the IRS requires a labor organization to list its address on IRS Form 990. For purposes of Schedule 15, a labor organization may use the address used by the labor organization in complying with state law or reported on the Form 990. Alternatively, a labor organization concerned about the disclosure of an officer’s home address may elect to obtain a P.O. Box and use that as its mailing address.

<sup>14</sup> The Department recognizes that some national or international labor organizations receive dues

limited circumstances. As discussed below, the Department reaches the same result here, *i.e.*, preserving the confidentiality procedure. However, based in part on comments received in connection with the proposed changes to the Form LM-2 but primarily based on the agency's interpretation of its own regulations, the Department is clarifying that the procedure may not be used by unions in connection with payments made by them to employers if such payments are made as part of a job targeting, market recovery or similar program.

Additionally, the Department modifies the instructions to clarify that the procedure may be used to report information the disclosure of which is proscribed by HIPAA or other federal or state law and that where this information is reported in aggregated form for this purpose, it is not subject to the *per se* "just cause" proviso of the procedure. See 29 CFR 403.8 (2008); see also 73 FR at 57449 (revising 29 CFR 403.8(c)).<sup>16</sup> This change conforms the instructions in the Form LM-2 to the instructions and regulatory text in the Form T-1 final rule, which takes effect on December 31, 2008. See 73 FR at 57449, 57469.<sup>17</sup>

The instructions currently allow unions to use the confidentiality procedure for information that would (1) identify individuals paid by the union to work in a non-union facility in order to assist the union in organizing employees, provided that such individuals are not employees of the union who receive more than \$10,000 in the aggregate from the union in the reporting year; (2) expose the reporting union's prospective organizing strategy; (3) provide a tactical advantage to parties with whom the reporting union or an affiliated union is engaged or will be engaged in contract negotiations; (4) subject to a confidentiality agreement in a settlement agreement; or (5) endanger the health or safety of an individual. See 73 FR at 27423-24 (unchanged from

current rule). If the receipt or disbursement fits within one of the above categories, then the labor organization need not itemize the receipt or disbursement. Instead, it may include the receipt or disbursement in the aggregated total on Line 3 of Summary Schedule 23 ("Other Receipts") or on Line 5 of Summary Schedules 24 ("Representational Activities") or 28 ("Union Administration"), as appropriate. A union member has a statutory right "to examine any books, records, and accounts necessary to verify" the labor organization's financial report if the member can establish "just cause" for access to the information. 29 U.S.C. 431(c); 29 CFR 403.8. The instructions and regulatory text expressly provide that if a labor organization chooses to utilize the special procedures for confidential information, such use constitutes a *per se* demonstration of "just cause for access to the information" and thus the information must be available to a member for inspection. 68 FR at 58448, 58499-00. Information that is withheld from full disclosure is not subject to the *per se* disclosure rule if its disclosure would consist of individually identifiable health information of the kind required to be protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulation, violate state or federal law, violate a non-disclosure provision of a settlement agreement, or endanger the health or safety of an individual.

Several commenters objected to the use of special procedures for reporting confidential information. The objections, however, were directed at the use of the procedure to shield from the view of union members and the public the amount of union funds directed at organizing activities, not at the use of the procedure to protect the legitimate privacy interests of individuals. One commenter asserted that the procedure effectively allowed labor organizations to assert unsubstantiated claims as a guise to justify any instance where they elect to withhold information. One commenter argued that the exemption affords labor organizations greater ability to withhold information than what is permitted under the discovery rules of federal civil procedure or permitted by the National Labor Relations Board (NLRB). Another commenter noted that narrowing or removing the exemption "will provide labor organization members with clearer information regarding [labor organization] receipts and

disbursements." The commenter argued that financial information should be available to labor organizations' membership without having to petition the labor organization directly. The commenter also alleged that because of potential tax and other impacts and implications, the public is entitled to and should have the same benefit of clarity regarding labor organization receipts and disbursements.

Several commenters argued in favor of maintaining the special procedure for reporting organizing activities, asserting it was necessary to balance the interest of union members in transparency against the interest in protecting a union's ongoing organizing campaigns. One commenter expressed the unsubstantiated view that but for the inclusion of the special procedure in the 2003 rule, the courts would have overturned the rule. Another commenter, while noting that transparency is a positive benefit to the public, urged the Department to weigh this benefit against the labor organizations' primary responsibility—to represent its members. This commenter concluded that the damage done to unions' representational responsibilities far outweighs the value of this transparency in and of itself.

Other comments noted that eliminating the confidentiality exception would be detrimental to legitimate organizing efforts and could compromise a labor organization's efforts to effectively engage in collective bargaining. Specifically, one commenter argued that requiring a union to identify "salts" on the Form LM-2 will unreasonably chill, if not destroy, this legitimate form of organizing under the NLRA. Disclosure of "salts" could jeopardize the individual's ability to earn a livelihood. This category of information subject to the Special Procedures for Confidential Information remains unchanged in the final rule. Labor organizations should note that notwithstanding the confidentiality provisions any employee who receives over \$10,000 in any fiscal year is required by the LMRDA to be disclosed, even if employed as a "salt."

One commenter argued that the need for a confidentiality exemption is self evident. One commenter noted that the current exception is already narrowly tailored to protect legitimate union interests while ensuring union members have access to information. Two commenters suggested that concerns that the Department found "persuasive" in 2003 when it adopted this narrow exception to itemized reporting are no less real or compelling today. Several commenters also noted that the

<sup>16</sup> In this rulemaking the Department only addresses whether the information is available pursuant to the "just cause *per se*" provision of the special reporting procedure. The Department does not reach the question whether a union member for "just cause" would be able to examine underlying documents. The result may well depend upon the particular circumstances giving rise to the member's request, the nature of the information that is at issue, and the potential applicability of non-disclosure provisions under statute and case law.

<sup>17</sup> The revised section reads: "This provision does not apply to disclosure that is otherwise prohibited by law or that would endanger the health or safety of an individual, or that would consist of individually identifiable health information the trust is required to protect under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) Privacy Regulation."

Department cited no complaints from union members that this exception prevented them from accessing information on their union.

Several commenters argued against imputing an improper motive to a labor organization's use of the confidentiality procedure. One noted that a union's decision to protect information from disclosure should not be assumed to connote misuse or abuse of the exception. This commenter alleged that use of the exemption is evidence of the extent to which the Department has already transformed the Form LM-2 from a vehicle Congress created to strengthen unions into a trap for the unwary and a weapon of choice for anti-union consultants bent on stopping workers from organizing. Two commenters believed that misuse of the exemption may be attributed to the steep "learning curve" inherent in the complex reporting scheme.

The Department also specifically invited comments on an alternative proposal to require that all transactions greater than \$5,000 be identified by amount and date on the relevant schedules, permitting however, labor organizations, where acting in good faith and on reasonable grounds, to withhold information that would otherwise be reported, in order to prevent the divulging of information relating to the labor organization's prospective organizing or negotiating strategy. Only one commenter addressed this proposed alternative. The commenter noted that such an approach did not provide protection for information recognized in the other parts of the existing confidentiality section, such as information that is required to be kept confidential pursuant to a settlement agreement, information the union is prohibited by law from disclosing, or information where disclosure would endanger the health or safety of the individual. The commenter also noted that such an approach would require additional itemization and reporting that would provide meaningless information to members.

The Department has carefully considered the comments relating to the Special Procedures for Reporting Confidential Information. It also has undertaken further review of the use of this procedure by reporting labor organizations. The Department's review of Form LM-2 data indicates that the confidentiality exception is used only by a small number of Form LM-2 filers. However, the Department has found that in some cases where the confidentiality exception is used, large portions of the labor organizations' disbursements are

not being itemized. For example, one labor organization treated \$360,308.00 in disbursements as confidential information and entered this amount on line 5 of Schedule 17. The \$360,308 accounted for 45% of the labor organization's total disbursements. A mid-sized local labor organization treated \$1,011,863 as confidential. This accounted for 49% of the labor organization's total disbursements. Finally, a large local labor organization treated \$5,931,513.00 as confidential. This accounted for 46% of the labor organization's total disbursements. As these examples demonstrate, an undisciplined use of the special procedures may result in the non-itemization of disbursements of millions of dollars and thus deny members the very transparency that is the foundation of the LMRDA's disclosure provisions.

Thus, while this final rule retains the Special Procedure for Reporting Confidential Information, the Department reemphasizes the limited situations in which it should be used and clarifies that it was not the Department's intention that it should be used to shield the itemization and full disclosure of payments to employers for job targeting, market recovery or other similar programs. In clarifying this aspect of the rule, the Department remains of the view that a labor organization should not be required to disclose information that would harm the labor organization's *prospective* organizing campaign or negotiations, by disclosing strategy that would otherwise be confidential. However, the Department reiterates, as it did in the Form T-1 final rule, that labor organizations are required to itemize transactions related to organizing drives and contract negotiations after the confidentiality interest giving rise to the exemption has ended. The instructions make clear that absent unusual circumstances information about past organizing drives or contract negotiations should not be treated as confidential under the reporting requirements. The Department also reiterates, as noted in the 2003 final rule, the procedures may not be used for Schedules 16 through 18. 68 FR at 58500. This rule has renumbered Schedules 16 through 18 as Schedules 25 through 27. Thus, the instructions for this final rule state that the procedures may not be used for the new Schedule 25 ("Political Activity and Lobbying"), Schedule 26 ("Contributions, Gifts and Grants"), and Schedule 27 ("General Overhead").

The Department is also clarifying that the procedure may not be used for payments made to employers as part of

a labor organization's job targeting, market recovery or other similar program. A commenter urged the Department to eliminate the confidentiality procedure because of what it saw as a widespread practice by labor organizations to avoid reporting the names of, and amount of payments to, employers who had received job targeting funds. Independently, the Department's own recent investigative experience has shown that some labor organizations have been using this procedure to shield from disclosure payments to employers as part of the unions' job targeting or market recovery programs. Although the total number of instances appears relatively small, the amount of money involved is substantial. The labor organizations have informed the Department that they consider such payments to be part of their "organizing strategy" and that the disclosure of such payments would adversely affect future organizing efforts. As discussed below, the Department has determined that payments to employers for job targeting or market recovery purposes are not encompassed by the special procedure. Therefore, any payments of \$5,000 or greater to a particular employer must be itemized.

In the 2003 rule, the Department, recognizing that the disclosure of certain payments related to organizing might adversely affect a union's legitimate interests, created a special procedure for reporting confidential or sensitive information. The key language of the 2003 rule is embodied in the instructions to the Form LM-2: "Filers may use the [special procedure for reporting confidential information] to report \* \* \* [i]nformation that would expose the reporting union's prospective organizing strategy. The union must be prepared to demonstrate that disclosure of the information would *harm an organizing drive*" (emphasis added).

Neither the rule nor its preamble illustrated the particular kinds of payments that would or would not qualify for this limited reporting procedure. Although the preamble to the rule mentioned "job targeting" in a few instances, the preamble did not specifically identify which particular schedule should be used for reporting such payments. See 68 FR at 58387, 58400. The closest the preamble comes to addressing how job targeting disbursements should be reported is the following statement: "In the Department's view, receipts and disbursements of job targeting funds that exceed the itemization threshold will be disclosed as a result of the



general reforms implemented by this rule.” *Id.*, at 58400. The Department acknowledges that the term “organizing strategy” is ambiguous, and that the rule did not make clear whether payments made directly to employers, such as job targeting payments, would qualify. The ambiguity of the term is illustrated by literature reviewed by the Department, some of which classified activities as far flung as community service projects and pension investment strategies as being part of a union’s “organizing strategy.” Kate Bronfenner, *Organizing to Win: New Research on Union Strategies*, 302. The Department never intended that the term should be read so broadly. Such activities may have an indirect impact on the attractiveness of a union to workers, but do not directly attempt to organize workers, and thus fall outside the meaning of the term as interpreted and administered by the Department. Moreover, the “key language” of the rule, as quoted above, dictates that the special procedure must be read as limited to information that would “harm an organizing drive.” Payments to an employer in order to assist it in bidding for construction jobs on which union members will be paid in accord with union industry practice cannot be viewed as part of an “organizing drive.” Such payments stand in contrast to payments commonly associated with an organizing drive, such as payments to printing vendors for literature and signage, and rental of meeting facilities, communication equipment, transportation vehicles, and various consultants. For this reason, the Department modifies the rule by explicitly stating that “payments made by a labor organization to an employer under a market recovery, job targeting, or like program (e.g., for “industry advancement”), must be reported. Such payments must be itemized where they aggregate to more than \$5,000. If the labor organization chooses to report such payments on Schedule 24 (“Representational Activities”), it may not use the confidentiality exception. Additionally, it is the Department’s view that this clarification best serves the LMRDA’s purpose, by providing transparency to this substantial aspect of a union’s financial operations without impeding a union’s prospective organizing drives. In making this change, the Department takes no position in this rule on the propriety or not of job targeting or similar payments made by a labor organization under the Labor Management Relations Act, the Davis-Bacon Act, or other law, or how such information has been addressed under the discovery rules of federal civil

procedure and NLRB practice. The changes are based solely on the Department’s interpretation of the confidential reporting procedure and its view that the disclosure purposes of the LMRDA are best served by making known to union members and the public the amounts and recipients of job targeting, market recovery or other similar payments.

*C. Proposed Procedure and Standards To Revoke the Simplified Reporting Option Where Appropriate in Particular Circumstances*

1. Introduction

The Department proposed to establish standards and procedures for revoking the simplified report filing privilege provided by 29 CFR 403.4(a)(1) for those labor organizations that are delinquent in their Form LM-3 filing obligation, fail to cure a materially deficient Form LM-3 report after notification by OLMS, or where other situations exist where revoking the Form LM-3 filing privilege furthers the purposes of LMRDA section 208. The final rule adopts the proposal with some modifications. The new procedure will effectuate the Department’s authority to revoke a labor organization’s existing Form LM-3 filing privilege if it fails to timely file a Form LM-3 or files a Form LM-3 that is materially deficient. Without such a procedure, the Department has been unable to revoke a labor organization’s privilege to file a simplified report—no matter how egregious a labor organization’s noncompliance with its reporting obligations, or obvious the indications of financial mismanagement, embezzlement, or corruption within that organization. See 73 FR at 27353. The procedures established in this rule will remedy this shortcoming in the Department’s reporting system.<sup>18</sup>

As discussed in the NPRM, 73 FR at 27346–47, the goal of these changes is to improve transparency in situations where it is most needed, i.e., where a union has failed to comply with its basic financial reporting obligation. Although it may appear counterintuitive to require a non-compliant organization that fails to meet its relatively simple Form LM-3 obligation to file a more detailed Form LM-2, this view assumes that the only reason for non-compliance was relatively benign, e.g., a responsible officer was brand new to the position or

his or her illness delayed the timely submission or clarification of a submission. The Department recognizes that some submissions are delayed for such reasons; thus, the Department did not propose that a delinquent or materially deficient filing would automatically trigger revocation and require the submission of a Form LM-2. However, as most commenters appeared to recognize, the reasons for non-compliance are varied and by no means all benign. Labor organizations will be given the opportunity to explain the reasons for the delay, including mitigating circumstances, and may thereby avoid having to file the Form LM-2. But where revocation is appropriate, the union will incur some additional burden in completing the Form LM-2 but, as discussed below, the burden is manageable and outweighed by the gains in transparency. The Form LM-2 not only requires more detail in general than the Form LM-3, but the Form LM-2 requires information that may be particularly pertinent to situations where possible financial mismanagement or embezzlement may have occurred. This additional financial information will assist members of labor organizations and OLMS investigators in reviewing the labor organization’s funds and assets during the reporting period and enable them to determine whether additional scrutiny of the labor organization’s finances is in order, for example, by requesting an explanation of the accounting, examining the underlying records of various transactions, or both.<sup>19</sup>

The differences between the Form LM-2 and the Form LM-3 forms have been accentuated by the substantial revisions made to the Form LM-2 in 2003 and those adopted in this final rule. As the Department explained in the preamble to the 2003 Form LM-2 rule, the broad aggregated categories on the old Form LM-2 enabled officials of labor organizations to potentially hide embezzlements and financial mismanagement. 68 FR 58420. The more detailed reporting required of all financial transactions covered by Form LM-2 was designed, in part, to discourage and reduce corruption by making it more difficult to hide

<sup>18</sup> The revocation procedures will not affect labor organizations with annual receipts less than \$10,000. While section 208 allows the Secretary to revoke the privilege of such labor organizations to file the highly simplified Form LM-4, the Department is not proposing at this time to apply such procedure to Form LM-4 filers.

<sup>19</sup> OLMS intends to continue its regular practice of contacting Form LM-3 filers at the end of their fiscal year about their filing obligation, and, in doing so, it will inform them of the potential revocation of their privilege to file the Form LM-3 if they are delinquent in filing the form, file a Form LM-3 that is materially deficient, or for other appropriate cause. The instructions to the Form LM-3 already inform labor organization officers of their statutory obligation to file the completed forms with OLMS within 90 days after the end of their labor organization’s fiscal year.

financial irregularities from members and the Department's investigators and thereby strengthen the effective and efficient enforcement of the LMRDA. 68 FR 58402. Requiring labor organizations to file a Form LM-2, after a determination that revocation of the privilege of filing a Form LM-3 is warranted, will make it more difficult to hide fraud.

The Form LM-2 requires labor organizations to provide more specific information than the Form LM-3 in several areas relating to labor organization finances including, in part, the following: Investments, fixed assets, loans payable and owed, contributions, grants, and gifts, overhead expenses, union administration, and receipts. With regard to labor organization receipts, Form LM-2 filers are explicitly required to report all receipts including: "Receipts from fundraising activities, such as raffles, bingo games, and dances; funds received from a parent body, other labor organizations, or the public for strike assistance; and receipts from another labor organization which merged into the labor organization." See p. 29 of Instructions to Form LM-2, as reproduced at 68 FR 58501.

Form LM-2 requires filers to itemize receipts from and disbursements to any individual or business or other entity that exceed \$5,000 in a fiscal year either in a single transaction or aggregated over the year. Itemization prevents a labor organization from "hiding" significant receipts from or disbursements to the same individual or entity, a possibility that exists under the Form LM-3. The name, address, and other information must be provided for any such entity or individual. This information, which is not required by the Form LM-3, enables members of a labor organization to detect payments to individuals or entities that are out of the ordinary (given information that is known to the member but would not appear irregular to someone without such information). Thus, this information enables members to identify situations that may reflect a breach of the labor organization's duties to its members or provide a reasonable basis for inquiry to determine whether officials of the labor organization are improperly diverting funds for their own benefit or the shared benefit of others. Additionally, a member who is aware that the labor organization has a financial relationship with one or more of these businesses will be in a better position to determine whether the business has made any required reports (Form LM-10). The itemization of payments at or above \$5,000 also puts members in a better position to

determine whether any of the recipients of the payments are businesses in which a labor organization official (or the official's spouse or minor child) holds an interest, a circumstance that will require a report to be filed by the official (Form LM-30).

The Form LM-2, unlike the Form LM-3, requires filers to provide a list of accounts receivable and payable (involving a particular individual or entity in an amount of \$5,000 or greater, singly or aggregated) that are past due by more than 90 days. As explained in the 2003 Form LM-2 rulemaking, 68 FR at 58401-02, such itemized disclosure can provide a vital early warning signal of financial improprieties. In the case of an already overdue report, the delinquency demonstrates that such improprieties already may exist.

As discussed in the NPRM, 73 FR at 27354, the Department's enforcement experience has shown that the failure of labor organizations to file the annual Form LM-3 on time and without material deficiencies is often an indicator of larger problems about the way such organizations maintain their financial records, and may be an indicator of more serious financial mismanagement. OLMS review of data indicates that labor organizations that are repeatedly delinquent are more likely than other labor organizations to suffer embezzlement, or related crime. For instance, in one recent case an investigation of a labor organization that was delinquent in its reports for two years showed that the labor organization had been the victim of a serious embezzlement. Its former president pled guilty to embezzling \$112,525 and received a prison sentence of 33 months, and was ordered to pay back the money he had stolen. In another case, a former financial secretary of a labor organization that had been delinquent in filing its reports for several years pled guilty to embezzlement and was ordered to pay restitution of \$103,248 and also received a sentence including confinement for eight months, home detention for four months, and probation for three years. Many of the reasons that contribute to delinquent filings also result in the filing of reports that omit or misstate material information about the labor organization's finances. The members of a labor organization that fails to correct a material reporting deficiency will also benefit from the increased transparency. For example, the labor organization may delay filing a Form LM-3 to avoid making timely public disclosures about financial improprieties of officers, such as the diversion of funds for personal use. Even if the Department eventually

succeeds in encouraging a delinquent labor organization to file the required form, the lack of specificity in Form LM-3 may permit significant problems to remain undetected. The greater detail required by the Form LM-2 makes it more difficult to hide such problems.

As discussed in the NPRM, at 73 FR at 27357, the Department's enforcement experience reveals various reasons for delinquent filings, such as a labor organization's failure to maintain the records required by the LMRDA; inadequate office procedures; frequent turnover of labor organization officials and their often part-time status; uncertainty of first-time officers about their reporting responsibilities under the LMRDA and their inexperience with bookkeeping, recordkeeping, or both; an "inherited bookkeeping mess;" an inattention generally to "paperwork;" overworked or under-trained officers; an officer's unwillingness to question or report apparent irregularities due to the officer's own inexperience or concern about the repercussions of reporting such matters; or a conscious effort to hide embezzlement or the misappropriation of funds by the officers, other members of the organization, or third parties associated with the labor organization. Many of these causes of delinquency highlight the need for more, not less, detailed reporting. The inability to comply with the reporting obligations may be symptomatic of financial management problems, benign or otherwise, within the union. As discussed below, commenters generally agreed with the Department's assessment of why labor organizations are delinquent or deficient in filing the Form LM-3. Some commenters, however, disagreed with the efficacy of additional reporting as a means of detecting fraud or embezzlement. As discussed further below, the Department recognizes that the changes will not eliminate fraud or embezzlement. But the changes should increase the ability of union members, the Department, and the public to identify how the union's finances are being managed. This increased transparency, especially insofar as overdue accounts and major transactions (those valued at \$5,000 or greater) are concerned, will increase the prospect that fraud will be uncovered and the fear of detection may deter individuals from engaging in the improper conduct in the first instance.

To implement this procedure and standards for revocation, the Department proposed to modify section 403.4 of its regulations, 29 CFR 403.4, and to amend the instructions to the Form LM-3 in order to fully apprise

filers of the procedure and standards. The Form LM-3 instructions will remain unchanged except for a new paragraph that notes that the privilege to file the Form LM-3 may be revoked under certain circumstances, and refers filers to the standards and procedures set forth in the Department's regulations (29 CFR 403.4).

Where there appear to be grounds for revoking a labor organization's privilege to file the Form LM-3, such as where the labor organization has failed to timely file the Form LM-3, or files a Form LM-3 that lacks material information,<sup>20</sup> the Department will conduct an investigation to confirm the facts relating to the delinquency or other possible ground for revocation. The depth of the investigation will depend upon the particular circumstances. For example, where OLMS has no record of receiving a timely Form LM-3, the investigation may be limited to confirming that the labor organization did not timely submit the report. In other circumstances, an investigation may be needed to review the labor organization's books, to review documents, and to interview subjects and obtain statements from individuals with knowledge about a labor organization's finances and their reporting to determine whether or not the deficiencies on the Form LM-3 are material.

If the Department finds grounds for revocation after the investigation, the Department will send the labor organization a notice of the proposed Form LM-3 revocation stating the reason for the proposed revocation and explaining that revocation, if ordered, will require the labor organization to file the more detailed annual financial report, Form LM-2.<sup>21</sup> The letter will also provide notice that the labor organization has the right to a hearing if it chooses to challenge the proposed revocation; and that the hearing will be limited to written submissions due

within 30 days of the date of the notice. The submissions and any supporting facts and argument must be received by OLMS at the address provided in the notice within 30 days after the date of the letter proposing revocation. The letter will also advise that the labor organization's failure to timely respond within 30 days will waive such labor organization's opportunity to request a hearing and the proposed revocation shall take effect automatically unless the Secretary in his or her discretion determines otherwise.

In its written submission, the labor organization must present relevant facts and arguments that address whether: (1) The report was delinquent or deficient or other grounds for the proposed revocation exist; (2) whether the deficiency, if any, was material; (3) whether the circumstances concerning the delinquency or other grounds for the proposed revocation were caused by factors reasonably outside the control of the labor organization; and (4) any factors exist that mitigate against revocation. Factors reasonably outside the control of a labor organization could include, for example, natural disasters that destroyed the records necessary to complete a Form LM-3, or the death or serious illness of the labor organization's president or treasurer while the form was being prepared for filing. Mitigating factors could also include, for example, that the form was timely completed but was mailed to an incorrect address or an attachment was inadvertently omitted from the filing.

After review of the labor organization's submission, the Secretary (or her designee who will not have participated in the investigation) will issue a written determination, stating the reasons for the determination, and, as appropriate based on neutral criteria, informing the labor organization that it must file the Form LM-2 for such reporting periods as he or she finds appropriate. Where a labor organization has failed to timely respond to the notice of proposed revocation, the Secretary will notify the labor organization in writing that its privilege has been revoked (or in an exercise of his or her discretion that revocation is unnecessary). The determination by the Secretary shall be the Department's final agency action on the revocation.

The revocation of the Form LM-3 filing privilege will ordinarily only apply to the fiscal year for which the labor organization was delinquent or failed to file a properly completed amended report after notification of a material deficiency and the fiscal year during which the revocation determination is issued, but in no event

will a labor organization be required to submit a Form LM-2 for any past fiscal year for which the labor organization already has properly and timely filed a Form LM-3. If the revocation is for a longer period of time, the Department's reasons will be included in its written determination. Labor organizations that are required to file a Form LM-2 because their Form LM-3 filing privilege has been revoked will not be required to submit the Form LM-2 electronically.

## 2. Discussion of Comments Received

A few commenters addressed the authority of the Secretary to make the proposed changes. One commenter noted that the Secretary has the statutory authority to revoke the simplified reporting privilege and doing so will promote greater transparency. The commenter also noted that the revocation procedure will act as an effective deterrent to deliberately inaccurate or late reporting of financial information. Others, however, argued that Congress intended revocation under section 208 to be limited to situations where the simplified report would not accurately reflect the finances of a small labor organization, *i.e.*, where filing the simplified form would permit the labor organization to circumvent or evade its reporting obligations. A suggested example of its appropriate use would be where a single labor organization, in effect, was formed as two separate labor organizations in order to decrease its annual receipts below the \$250,000 filing threshold for the Form LM-2. The same commenters stated that the authority under section 208 was not intended to be used for individual or episodic violations. In its view, the only appropriate remedies for individual violations are already provided for under the LMRDA—civil and criminal enforcement. Another commenter argued that where conduct is culpable, it should be dealt with through criminal investigations and prosecutions.

The Department disagrees with this narrow reading of the Secretary's authority. Section 208 permits the Secretary to establish simplified forms for labor organizations where she "finds by virtue of their size a detailed report would be unduly burdensome." Section 208 also authorizes the Secretary to revoke a labor organization's privilege to file such forms when the Secretary determines, after investigation, due notice, and an opportunity for a hearing, "that the purposes of this section would be served [by revocation]." Contrary to the view of these commenters, section 208 grants her express, unambiguous statutory authority to revoke the

<sup>20</sup> OLMS will notify a filer whose Form LM-3 is materially deficient by letter, advising in what respects the filing is deficient and providing a date by which the filer must submit a corrected Form LM-3. Ordinarily, the filer will be allowed not less than 30 days from the date of the letter to submit a corrected Form LM-3.

<sup>21</sup> The Department anticipates that the new rule will provide ample incentive for labor organizations to fulfill timely their Form LM-3 filing responsibilities. If the rule has that salutary effect, the number of unions potentially subject to revocation of their Form LM-3 privilege will be relatively small. Should this not be the case, available resources may limit the ability of the Department to pursue revocation in all cases where it may be warranted. In such instances, the Department will exercise, fairly and impartially, its enforcement discretion in deciding where revocation should be pursued.

privilege of a labor organization to file a simplified report. There is nothing in the text of the LMRDA or its legislative history to suggest that the Secretary's authority to revoke the privilege is somehow constrained by her separate grant of civil and criminal enforcement powers. The Department's primary method of enforcement to obtain a timely and complete report, a civil action seeking a court order that the labor organization file an adequate report, is a time-consuming process that permits the evasion of the reporting requirements to continue for lengthy periods, denying members the timely disclosure of this financial information, without which they are unable to properly oversee the operations of their labor organization and, where they believe appropriate, to timely change its leadership, policies, or both. Moreover, requiring unions that are delinquent or materially deficient in their reports to file the more detailed Form LM-2 will help identify situations demanding civil and criminal investigations and prosecutions. The revocation process is but one tool that the Department may utilize to ensure that labor organizations are complying with the LMRDA reporting requirements. Where conduct warrants criminal enforcement, the Department will use this complementary tool.

A few commenters took an alternative tack by stating that implicit in the authority to create a simplified financial report is the assumption that simplified reports adequately reveal a small labor organization's finances, or that small organizations are incapable of filing the same report as larger organizations, or both. They suggested limiting revocation to only those situations where a simplified report would not accurately reflect the finances of a small labor organization. While Congress clearly viewed simplified reports as potentially adequate for reporting the finances of small labor organizations, it left the Secretary to decide whether to permit some unions to file a simpler form. It is difficult to square the decision by Congress to leave the choice to the Secretary while, at the same time, hobbling her authority to revoke the authority where she deems it appropriate. Congress left it to the Secretary to determine what is "unduly burdensome." And, where action (or inaction) of individuals, not a union's size, is the reason for the reporting deficiency, the argument that the Secretary is constrained by the language of section 208 loses any remaining force. Commenters have failed to provide any

persuasive arguments in support of such a reading.

A few commenters suggested that the Department was exaggerating the problem, one stating that a phone call to the labor organization in question should be sufficient to remedy the problems, while other suggested that the Department should address the problem by providing compliance assistance to small unions so that they will understand their filing obligation. As most commenters appeared to recognize, however, it is hard to exaggerate the difficulties confronting the Department in obtaining timely and complete Form LM-3s from a substantial percentage of unions in this category. The problems persist despite the Department's robust compliance efforts to assist unions with their filing obligations.

Several labor organization commentators believed that increased disclosure was punitive. A commenter asserted that compliance does not appear to be the goal of this proposal, explaining its view that the proposal would impose extraordinary costs on labor organizations. (45) The Department disagrees with this assertion. Filing a delinquent or materially deficient report violates the labor organization's duty to provide accurate disclosure of its financial condition and operations. Such evasion of the reporting requirements may be a sign of more serious financial mismanagement. Increased transparency and disclosure will help labor organization members and the Department ascertain whether serious financial mismanagement is occurring. Revocation of a labor organization's simplified reporting privilege will further the purposes of the LMRDA, namely, ensuring that the organization accurately discloses its financial condition and operations.

Many commenters described the proposal as unnecessarily burdensome. Commenters stated that Form LM-3 filers do not keep track of data that is required on the Form LM-2. Specifically, one commenter believed that the Form LM-2 functional categories would pose a particular challenge for Form LM-3 filers. An additional commenter also noted that aggregation, itemization and categorization could pose a problem. This international labor organization commenter noted that from its experiences with filing Form LM-2 reports for Form LM-3 filers that had been placed in trusteeship, conversion

of data to the Form LM-2 format had been difficult.<sup>22</sup>

The Department acknowledges that the Form LM-2 will prove more burdensome to complete than the Form LM-3, a fact that should provide incentive for an organization to file its Form LM-3 on time and without material deficiencies. At the same time, however, the Department believes that some commenters overstate the burden to those labor organizations that will be required to file the Form LM-2. The burden to a labor organization of filing a Form LM-2 is proportionate to the size of the labor organization. Form LM-2 requires additional information and specificity that is not captured by the Form LM-3. A labor organization that has had the Form LM-3 filing privilege revoked will have to assign receipts and disbursements into functional categories, a new task for those unions. However, due to the relatively small number of receipts and disbursements, assigning the receipts and disbursements to functional categories should not require a significant adjustment in the labor organization's recordkeeping systems. The burden imposed by requiring itemization of receipts and disbursements into functional categories is linked to the amount of receipts and disbursements that a labor organization has. A labor organization with less than \$250,000 in annual receipts will have significantly fewer receipts and disbursements to itemize than a larger labor organization. And where the labor organization believes that it does not have voluntary resources to complete the form itself, it can turn to its parent or other affiliated unions for assistance or referral to third parties experienced in preparing the Form LM-2. Additionally, labor organizations that will file the Form LM-2 due to having their Form LM-3 filing privilege revoked are relieved of the requirement to file the Form LM-2 electronically, which may reduce the burden of converting files to a system that is compliant with the electronic form.

<sup>22</sup> As "evidence" of the burden, two commenters noted that the Form LM-2 is so difficult to complete that the Department, in light of the legal challenge to the 2003 rule, recognized that unions would need at least 18 months to prepare for filing the form. (As discussed in the text, the actual burden to an affected union under this aspect of today's rule will be much less demanding than for a typical Form LM-2 filer. The "lead time" for the submission of the Form LM-2s, as revised by the 2003 rule, was provided because of two factors: (1) The need for some unions to substantially revise sophisticated recordkeeping and accounting systems; and (2) the delay in the Department's development of software by which unions would electronically submit their Form LM-2s. Neither factor is in play under the instant rule.

The Department notes that currently situations exist where a Form LM-3 filer may be required to file a Form LM-2 with little notice. For example, a traditional Form LM-3 filer that received \$230,000 in annual receipts in the previous year but nearing the end of its current fiscal year eclipses that total, and now has \$260,000 in annual receipts must file a Form LM-2 for that year with little advance notice. Similarly, a traditional Form LM-3 filer that received \$100,000 in annual receipts in the previous fiscal year but nearing the end of its current fiscal year sells an asset thus bringing its annual receipts over the \$250,000 Form LM-2 threshold, would be required to file the Form LM-2 with little advance notice. Additionally, the Department has long required a Form LM-2 to be filed for a labor organization that has been placed in trusteeship without regard to the amount of its annual receipts. Depending on particular circumstances, a Form LM-2 could have to be filed shortly after the imposition of a trusteeship, even though but for the trusteeship, a Form LM-3 would have fulfilled the organization's annual financial reporting obligation. *See* 29 CFR 403.4 and 408.5.

Focusing on the Department's estimate of 96 revocations a year out of a much larger potential universe of delinquent filers, commenters questioned the Department's intention or ability to identify those labor organizations that will be required to file the Form LM 2. Some commenters suggest that the procedure invites, if not compels, arbitrary action by the Department. One commenter noted that nearly 80% of all 2006 Form LM-3 filers filed on time or within 30 days of their filing deadline. The commenter noted that over 2,000 Form LM-3 filers remain delinquent over 30 days after their filing deadline. Another commenter asserted that the proposal would require the Form LM-2 to be filed by less than one-tenth of one percent of all Form LM-3 filers, allowing the Department unbridled discretion in singling out those for sanction. Two commenters questioned what process the Department would utilize to determine which delinquent and deficient filers would have their Form LM-3 filing privilege revoked. One commenter requested the Department present clear, precise, and reasoned criteria for revocation. One commenter worried that the Department would revoke the Form LM-3 filing privilege for labor organizations that filed their Form LM-3 one day late.

Such fear is unfounded and, in any event, premature. As explained in the

NPRM, 73 FR at 27370, the Department anticipates that the vast majority of situations where revocation occurs will be for delinquency or material deficiency. (*See* Regulatory Flexibility Analysis below; the Department there estimates that of the 96 cases per year in which the simplified reporting privilege will be revoked all but two will be for delinquency or deficiency.) The term "other circumstances" is necessarily broad to encompass situations that are contrary to the Act's disclosure provisions but not easily catalogued in advance. Moreover, the Department's actions are constrained by the language of section 208, which requires that revocation be limited to situations where it would serve the purposes of that section. The Department has established a procedure that ensures due process—notably no commenter has taken issue with the investigatory and decision making process. This process ensures fair and even-handed treatment. Moreover, any labor organization that believes it has been aggrieved by the Department's decision to revoke the Form LM-2 filing privilege could secure judicial review of the Department's decision.

The "other circumstances" provision will rarely be used. As the commenters noted, if a large labor organization divided itself into two separate labor organizations, while continuing to function as one entity, the labor organization would be evading the Form LM-2 reporting requirement. In such a situation, the labor organizations may be filing timely Form LM-3 reports, which may comply with the technical requirements of Form LM-3, but revocation would still be warranted. While revocation is appropriate in that instance, the commenters, have failed to make a convincing argument that the Department's statutory discretion should be limited by specifying particular situations where revocation may be appropriate. The Department cannot anticipate every situation where revocation would be appropriate and for this reason it retains the "other circumstances" language in the final rule.

Two commenters asserted that the examples of mitigating circumstances in the proposal, "natural disasters" and "death or serious illness" of the president or treasurer of the labor organization, indicated that the Department will allow mitigation only in the most extreme situations, inviting arbitrariness in singling out violators for the revocation sanction. (38, 40) The language in question does not require such inference. For example, the NPRM stated that "[m]itigating factors could

also include, for example, that the form was timely completed but was mailed to an incorrect address or an attachment was inadvertently omitted from the filing." 73 FR 27356. To alleviate this concern, however, the Department acknowledges that mitigating factors, including a labor organization officer's lack of recordkeeping or bookkeeping experience will be taken into account by the Department in deciding whether revocation is appropriate. However, where officers of a labor organization have deliberately obscured its financial condition and operations, the Secretary will exercise her statutory right to revoke the simplified filing privilege of the labor organization.

Two commenters expressed concern that the Secretary could impose the Form LM-2 filing requirement indefinitely. The revocation of the Form LM-3 filing privilege will ordinarily only apply to the fiscal year for which the labor organization was delinquent or filed a materially deficient report, and the fiscal year during which the revocation was issued. However, to the extent that a labor organization continues to fail to accurately disclose its financial conditions and operations despite the revocation, application of the revocation to additional fiscal years may be appropriate. Thus the duration of the revocation is limited by the Section 208 requirement that revocation further the purposes of the Act.

Labor organizations will receive notice of their delinquency well before the revocation process is invoked. Only after notification of the delinquency and voluntary cooperation has failed to resolve the delinquency will a revocation proceeding commence. Labor organizations will be notified that a consequence of failure to file a timely report or filing a report with material deficiencies may be revocation of their simplified reporting privilege. They will be so informed not less than 30 days before the revocation process is invoked. Under the final rule, labor organizations that file a delinquent or materially deficient Form LM-3 will be notified of their right to file a written submission contesting the proposed revocation. The notice also informs the labor organization that failure to file a written submission within 30 days will result in an automatic revocation of their simplified reporting privilege. The written submission must address four issues that should be readily ascertainable to a labor organization official: (1) The existence of a delinquency, material deficiency or other circumstances; (2) whether the deficiency, if any, was material; (3) whether a delinquency or other

circumstance for revocation was caused by factors reasonably outside the control of the labor organization; and (4) any mitigating factors. In light of the labor organization's prior notification of the delinquency and opportunity to voluntarily resolve the delinquency, 30 days is sufficient for a labor organization to prepare its response. The automatic revocation of the simplified reporting privilege for a labor organization that fails to contest the proposed revocation, much like a default judgment in a civil suit, is a reasonable response to the labor organization's continuing inattention to its filing obligations. Whether the privilege will be revoked will ultimately depend on the Secretary's determination of whether revocation is warranted, which is a fact-specific inquiry requiring evaluation of the circumstances of the delinquency, material deficiency or other grounds, and evidence presented by the labor organization.

Several commenters noted the possible consequences to a labor organization whose Form LM-3 filing privilege is revoked. One commenter stated that the need to file the more burdensome Form LM-2 would divert the labor organization from grievance handling and its other core business. By filing a timely Form LM-3 report without material deficiencies a labor organization can avoid any diversion of resources that may occur as a result of the revocation of the simplified filing privilege. One international labor organization worried that labor organization officers may resign should their organization's Form LM-3 privilege be revoked. Another international labor organization believed that if a local labor organization's Form LM-3 filing privilege were revoked the parent organization would move to place the local in trusteeship or merge it with another local organization. Revocation of the Form LM-3 filing privilege is the culmination of an investigation which may unearth underlying financial problems within a labor organization. The Department acknowledges these possible consequences. At the same time, such consequences are foreseeable and, depending on the particular circumstances, may be reasonable and appropriate actions. Where a union official believes that complying with his or her financial reporting obligation will interfere with the union's grievance handling or other responsibilities to its members, the revocation procedure will bring this to light, allowing members to weigh this factor in exercising their

democratic right to elect or remove such officer. In the Department's view, there is no merit to the suggestion that filing an annual financial report is not within the union's "core business." Labor organizations, including parent organizations, and individual officers, however, must ultimately decide what actions they deem appropriate in such situations.

One commenter argued that the definition of materiality presented in the NPRM set too low a threshold for material deficiency. The Department disagrees. As explained in the NPRM, the proposed definition of "material" was modeled on the standards of the Financial Accounting Standards Board ("FASB"), and the standard applied to corporations in *TSC Industries Inc. v. Northway Inc.*, 426 U.S. 438, 449 (1976) and tailored to apply to the unique circumstances of the LMRDA reporting requirements. The standard proposed in the NPRM was as follows: "a deficiency is 'material' if in the light of surrounding circumstances, the inclusion or correction of the item in the report is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced." 73 FR 27355. One commenter argued that the proposed standard is too low because it does not include language from the FASB regarding the "magnitude" of the deficiency and language utilized in *TSC Industries Inc. v. Northway Inc.* regarding the "total mix" of information available. The Department disagrees with this assessment. The proposed standard requires that a deficiency be judged "in the light of surrounding circumstances" which inherently involves consideration of the magnitude of the deficiency in light of the total information available to determine whether "a reasonable person relying upon the report would have been changed or influenced."

Some commenters argued that requiring a labor organization to file an opposition to a notice of proposed revocation within 30 days was insufficient and believed that 60 days would be appropriate. Two commenters suggested that the Department implement an alternate compliance system modeled on Federal lobbying disclosure laws. Under the Federal lobbying disclosure system, a lobbyist is notified in writing of his or her noncompliance and then given 60 days to provide an adequate response. If an adequate response is not provided within 60 days the matter is referred to the United States Attorney for the District of Columbia. 2 U.S.C. 1605(a)(8). The Department disagrees

with these suggestions. The Department already contacts delinquent Form LM-3 filers to encourage them to fulfill their reporting obligations. Currently if a labor organization's annual report is not received timely, the Department sends the labor organization a delinquency notice letter. If the annual financial report is still not submitted, the Department District Office in whose jurisdiction the labor organization is located will open a delinquent report case and seek to obtain the report. The Department will continue its practice of contacting delinquent filers in order to promote the timely remedying of their delinquency. Only when delinquent filers have failed to timely remedy their delinquency would revocation of the Form LM-3 filing privilege be utilized.

Another commenter noted that filers who could not timely file a Form LM-3 would not likely be able to prepare a written response to a notice of proposed revocation with the 30 days allotted for this purpose. For this reason, the commenter stated that it would be unfair in those situations to, in effect, impose a default judgment. The Department cannot agree with this point of view. As discussed above, the Department currently provides reminders to labor organizations about the need to timely file a Form LM-3; it will continue to provide such "early warnings" about the need to timely and completely file the required reports, now coupled with a reminder that failure to do so may result in having to file the more detailed Form LM-2. Where, despite these reminders, a labor organization fails to timely submit its position within 30 days of the revocation notice, the entry of a "default judgment" seems entirely appropriate. The Department recognizes that there may be some situations in which a labor organization, for good cause, may be unable to submit a complete statement of position on the proposed revocation within the 30-day timeframe. Where good cause is shown, the Department will approve a timely request for a short extension of time for submission of the union's statement.

One commenter suggested that an exception should be crafted to the Form LM-3 revocation procedures for situations where an international union has assumed responsibility for assuring that locals file LM-3s. The commenter noted that once the Department has notified the international labor organization that its affiliate was delinquent in its reporting obligation, the international would then assist and promote the filing of a delinquent Form LM-3. Another commenter noted that compliance assistance programs have

been effective within the Department of Labor, citing EBSA's "Delinquent Filer Voluntary Compliance Program."

The Department promotes the importance of voluntary compliance. It recognizes the efforts that many international labor organizations have made to remedy their affiliated local labor organizations' delinquent reporting. Their efforts to assist and promote timely compliance by their affiliates are a responsible response to a significant problem. Approximately 40 parent national and international labor organizations regularly assist the Department with obtaining delinquent annual disclosure reports from their affiliated organizations. The Department periodically sends each parent organization a list of the subordinate affiliates that have failed to file reports for either of the two most recent fiscal years. An accompanying letter requests that the parent organization assist in obtaining the delinquent reports and in providing the Department with updated contact information, for the labor organization officials responsible for filing them.

The revocation procedure is to be used after attempts to secure timely voluntary compliance, through a program or otherwise, have proven unsuccessful. The procedure established in the final rule is designed to address the situations where despite the best efforts of the Department and parent labor organizations, a labor organization fails to file its required Form LM-3. Whatever its reasons for non-compliance, the time has come to determine whether revocation of the privilege is warranted. The officials of the non-complying labor organization may be trying to obscure the financial condition and operations of the organization in order to hide more serious financial problems, including criminal activity such as embezzlement. The additional information provided by the Form LM-2 is a measured and proportionate remedy to ensure accurate disclosure of the financial condition and operations of a labor organization.

#### IV. Regulatory Procedures

##### *Executive Order 12866*

This final rule has been drafted and reviewed in accordance with Executive Order 12866, section 1(b), Principles of Regulation. Based on a preliminary analysis of the data the rule is not likely to have an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs, the environment, public health or safety, or state, local, or

tribal governments or communities. As a result, a full economic impact and cost/benefit analysis is not required for the rule under Section 6(a)(3) of the Order. However, because of its importance to the public the rule was treated as a significant regulatory action and was reviewed by the Office of Management and Budget. Because this final rule makes revisions to information collection requirements, our discussion of its impact can be found in the Paperwork Reduction Act and Final Regulatory Flexibility Act sections that follow.

##### *Unfunded Mandates Reform*

For purposes of the Unfunded Mandates Reform Act of 1995, this final rule does not include a federal mandate that might result in increased expenditures by state, local, and tribal governments, or increased expenditures by the private sector of more than \$100 million in any one year, adjusted by the rate of inflation between 1995 and 2008 (\$130.38 million) per 2 U.S.C. 1532(a).

##### *Executive Order 13132 (Federalism)*

The Department has reviewed this final rule in accordance with Executive Order 13132 regarding federalism and has determined that the final rule does not have federalism implications. Because the economic effects under the rule will not be substantial for the reasons noted above and because the rule has no direct effect on states or their relationship to the federal government, the rule does not have "substantial direct effects on the States, on the relationship between the national government and the States, or on the distribution of power and responsibilities among the various levels of government."

##### *Paperwork Reduction Act*

This statement is prepared in accordance with the Paperwork Reduction Act of 1995, 44 U.S.C. 3501. As discussed in the preamble, this rule implements an information collection that meets the requirements of the PRA in that: (1) The information collection has practical utility to labor organizations, their members, other members of the public, and the Department; (2) the rule does not require the collection of information that is duplicative of other reasonably accessible information; (3) the provisions reduce to the extent practicable and appropriate the burden on labor organizations that must provide the information, including small labor organizations; (4) the form, instructions, and explanatory information in the preamble are written in plain language

that will be understandable by reporting labor organizations; (5) the disclosure requirements are implemented in ways consistent and compatible, to the maximum extent practicable, with the existing reporting and recordkeeping practices of labor organizations that must comply with them; (6) this preamble informs labor organizations of the reasons that the information will be collected, the way in which it will be used, the Department's estimate of the average burden of compliance, the fact that reporting is mandatory, the fact that all information collected will be made public, and the fact that they need not respond unless the form displays a currently valid OMB control number; (7) the Department has explained its plans for the efficient and effective management and use of the information to be collected, to enhance its utility to the Department and the public; (8) the Department has explained why the method of collecting information is "appropriate to the purpose for which the information is to be collected"; and (9) the changes implemented by this rule make extensive, appropriate use of information technology "to reduce burden and improve data quality, agency efficiency and responsiveness to the public." 5 CFR 1320.9; *see also* 44 U.S.C. 3506(c).

##### A. Issues Raised in Public Comments Related to the Department's Cost Estimates

As the Department has done with the final rule, the NPRM employed the cost conclusions derived in the PRA analysis in order to assess burdens to small labor organizations for the purposes of the Regulatory Flexibility Act ("RFA") analysis. As a result, for the most part, the comments received by the Department on its costs analysis did not indicate whether they were specifically addressing the PRA analysis, the RFA, or both. Because of the interrelationship between the analyses, and because the RFA specifically requires the Department to address comments related to its burden analysis,<sup>23</sup> the Department has construed all comments received regarding its assessment of costs to the regulated community as comments related to both the PRA and the RFA analysis. Therefore, the introduction to the PRA analysis below is a complete recitation of the

<sup>23</sup> The RFA requires that an agency's final regulatory flexibility analysis include "a summary of the significant issues raised by the public comments in response to the initial regulatory flexibility analysis, a summary of the assessment of the agency of such issues, and a statement of any changes made in the proposed rule as a result of such comments." 5 U.S.C. 604(a)(2).



significant issues raised by the comments, the Department's response thereto, and changes made to both the PRA and RFA analyses as a result of those comments.

A number of commenters expressed concern that the Department used as the foundation for the NPRM's burden analysis the Department's estimates of compliance costs associated with revisions made to the LM-2 in 2003, instead of collecting data from a survey of labor organizations' actual compliance costs realized as a result of the earlier revision. Commenters questioned whether the Department could accurately estimate the current Form LM-2 and new Form LM-2 burdens using estimates that pre-dated the current Form LM-2. Although actual data on burden was not available in 2003, labor organizations have been filing the revised Form LM-2 for three years, and several commenters suggested that the Department should have sought information regarding compliance burdens from the regulated community rather than rely on those estimates as a baseline for the burden analysis in this rule.

Several labor organizations provided specific data regarding their own compliance costs associated with that revision. One commenter indicated that his labor organization spent approximately \$100,000 in 2004, its first reporting year, on staff time, outside accounting services, and new software to comply with the data gathering requirements of the current Form LM-2, approximately \$75,000 more than the Department estimated in the 2003 rule. The same labor organization asserted that it cost an additional \$100,000 each year to comply with the recordkeeping and reporting requirements of the 2003 rule, approximately \$83,000 more than the Department estimated in the 2003 rule. Two other LM-2 filers estimated that they spent over \$120,000 a year to comply with the requirements of the current LM-2 in a timely manner. Based on these estimates, the commenters indicate that the Department has underestimated the total burden by at least 50 percent. Another commenter estimated that the Department had underestimated the total burden by at least a factor of three. Finally, one commenter, citing an unpublished analysis of the increase in the number of pages submitted as part of the LM-2 filing, noted that for labor organizations with at least \$50 million in annual revenue, their submissions increased in size an average of 94 percent for the three years of filing experience after the 2003 revisions, suggesting that the Department

underestimated the costs to labor organizations associated with complying with those revisions. These commenters and others indicate that actual compliance experience, rather than the Department's estimates, could be used to inform and calculate the Form LM-2 burden estimates associated with the revisions in this rule.

After considering the comments regarding actual costs associated with the LM-2 revision in 2003, the Department has decided to retain the approach adopted in the NPRM and use the costs estimates developed in 2003 as a baseline for the costs associated with this revision. The cost estimates developed in 2003 were the result of a comprehensive and detailed empirical analysis of costs to *all* labor organizations affected by the change, not just the costs incurred by the largest labor organizations. Certainly, some labor organizations will spend more time on recordkeeping and reporting than others, as shown in the examples offered by the commenters. For example, a labor organization with \$2,500,000 in annual receipts will have many times more itemized receipts to report than a labor organization with \$250,000 in annual receipts. It is likely, as noted above, that there are multiple labor organizations that spend \$100,000 or more on recordkeeping and reporting. However, just over half of LM-2 filers have more than \$1 million in annual receipts. Those LM-2 filers with less than \$1 million in receipts will spend significantly less on recordkeeping and reporting than the larger labor organizations, those with millions in receipts. To account for these size differences, the Department used weighted average burden estimates to ensure that the cost estimates represented the experience of all labor organization filers, and that large labor organizations are not over represented and small labor organizations are not underrepresented in the final burden estimate.

For a number of reasons, the Department has confidence in its 2003 estimates of compliance burdens as a fair and realistic representation of costs to labor organizations for compliance with the previous Form LM-2 revisions. The 2003 estimates were based on the Department's detailed review of the recordkeeping and reporting requirements of the Form LM-2. That review incorporated the expertise of investigators with first-hand knowledge of union financial reporting. In addition, the burden estimates used in 2003 were based on the Department's review of extensive public comments, which included a survey of affected labor

organizations submitted by the AFL-CIO as part of its 2003 comment. Where appropriate, the AFL-CIO's survey data were incorporated into the 2003 analysis to improve those burden estimates. In response to public comments in 2003, the Department improved its methodology and, as a result, its overall estimate of burden hours was ultimately increased from 15.25 hours to 292.00 hours. Moreover, to further improve the 2003 burden estimates, the Department conducted internal time trials to determine the amount of time needed to change the accounting structure, document records, and fill out the Form LM-2. Finally, legal challenges by the AFL-CIO to the Department's methodology underlying and conclusions regarding its burden estimates in 2003 were rejected by the court in *American Federation of Labor and Congress of Industrial Organizations v. Chao*, 298 F.Supp.2d 104, 121-126 (D.D.C. 2004), *aff'd* 409 F.3d 377 (D.C. Cir. 2005) (*AFL-CIO v. Chao*). In the Department's view, the collection of data regarding compliance costs from a survey of affected labor organizations would not result in a significant improvement to the Department's analysis of costs associated with the prior Form LM-2 revisions, and the use of a survey tool would have injected into the analysis substantial issues regarding appropriate respondent sampling, verification of reported respondent costs, and comparability of results to prior estimates, significantly limiting the utility of such an approach.

The majority of comments submitted regarding the Department's burden analysis indicated that the analysis of the costs to implement the new receipts schedule was flawed and significantly underestimated the recordkeeping and reporting burden. In particular, the commenters were concerned that basing the number of itemizations on the current Schedule 14 ("Other Receipts") grossly underestimated the number of itemized receipts on the other receipt itemization schedules. The commenters pointed out that the current schedule 14 does not include the major sources of union revenues, and that most itemized receipts will be reported on the new dues, per capita tax and investment schedules. As one example, a labor organization stated that it receives more than \$5,000 in annual withheld dues from more than 10,000 employers, and that the schedule will require it to enter a line item for each of those 10,000 employers. A certified public accounting firm noted that depending on a labor organization's investment

activities, the potential volume of itemized transactions is tremendous. An international labor organization estimated that it would spend 120 to 240 hours per year putting together its investment records to comply with the reporting requirements. Another international labor organization noted that it receives over \$5,000 from over 750 affiliates. This labor organization estimated that the additional itemization schedules will add 1,000 pages to its Form LM-2. An accountant with experience in filling out LM-2s believed that the reporting time required is 5 to 10 times what was estimated in the NPRM, employer contributions could take 20 to 25 hours alone.

As discussed elsewhere in this preamble, the Department has created exceptions in the final rule to itemized receipt reporting that responds to these and other commenters, and will significantly reduce the recordkeeping and reporting burden proposed in the NPRM, and the Department has revised its burden analysis accordingly. First, as discussed above, dues and agency fees, which make up approximately 70% of all receipts, received directly from an employer need not be itemized by transaction. The labor organization need only report the aggregate dues and agency fees received from each employer over the year. As a result, however, it is axiomatic that those labor organizations that receive payments of dues and agency fees from many employers will have a greater reporting responsibility on this schedule than those labor organizations that receive dues and agency fees from relatively fewer employers. Second, as discussed above, investment transactions made over a registered market exchange need not be itemized. Finally, as discussed above, per capita taxes received directly from an affiliate should not be itemized by transaction. The labor organization need only report the aggregate per capita taxes received from each affiliate over the year. These exceptions should alleviate many of the concerns raised by the commenters and significantly reduce the overall burden. In addition to these new itemization exceptions and as discussed further below, the Department has improved the burden estimates associated with the new receipts schedules by using the aggregates currently reported on Summary Schedule B, which were divided by \$5,000 to estimate the number of itemized receipts per schedule.

Regarding reporting obligations for disbursements to officers and employees, a number of commenters stated that they could not breakdown benefits by officer and employee, nor

could they breakdown indirect disbursements to officers and employees for travel and lodging, without extensive changes to their recordkeeping system. A number of labor organizations explained that they frequently make single credit card payments that cover the hotel and transportation expenses of more than one officer or employee. As a result, several labor organizations estimated that they would need between 40 and 120 hours per year to comply with the new officer and employee reporting requirements.

In response to concerns raised regarding the reporting of officer benefits, the Department reiterates, as noted in the NPRM, that there should be no increased recordkeeping burden associated with the report of officer benefits because labor organizations are currently required to track each officer's benefits to complete the IRS Form 990.

In response to concerns raised regarding the reporting of indirect disbursements to officers and employees, the Department's final rule has created an exception for certain indirect disbursements to decrease the overall burden, and has improved the methodology to improve indirect disbursement burden estimates. To reduce the overall burden, the Department will now allow labor organizations to distribute indirect disbursements equally between multiple officers and employees if they meet the exception discussed elsewhere in this preamble. In the NPRM, the Department accounted for the increase burden for indirect disbursements by applying the same burden to this change as it would apply to a new schedule in 2003, and estimated that, on average, each officer and employee will have one reportable indirect disbursement. As explained further below, to improve the burden estimates for indirect disbursements for travel and lodging, the Department adopted a new methodology for calculating the number of reportable indirect disbursements. The number of indirect disbursements is now based on the number of disbursements currently reported on the LM-2. These changes should reduce the burden hours and significantly improve the overall burden estimates.

Several commenters stated the overall cost conclusions reached in the NPRM were flawed because the salary estimates employed in the calculations were artificially low. First, some asserted that the Department incorrectly used general Bureau of Labor Statistics ("BLS") salary data rather than labor organization-specific data. Second, some asserted that the Department incorrectly used an average salary for an

in-house and outside accountant when labor organizations must only use outside accountants in order to comply with their fiduciary duties. Some commenters noted that outside accountants frequently charge \$100 or more an hour. Finally, some commenters noted that the salary estimates did not account for fringe benefits, which constitute approximately 30% of total compensation costs.

The Department has improved the compensation cost estimates in response to these comments. First, instead of employing BLS salary data, the Department has estimated the average salary of the president and secretary using the e.Lors database and a stratified random sample. Second, unlike the NPRM, the Department did not average the in-house and outside accountants' and bookkeepers' salaries, and instead derived them exclusively from the BLS survey. Finally, based on BLS data and explained further below, all of the salaries were increased by 30.2% to account for the costs of benefits, resulting in a more accurate total compensation cost for each employee identified. The same method was used to estimate the LM-3 compensation costs, and these changes will improve the accuracy of the cost estimates for the final rule.

Given the costs associated with implementation, some commenters questioned whether the benefits of this final rule outweigh the costs. The Department has not conducted a formal cost/benefit analysis of this rule. However, as outlined above, labor organization members will benefit from greater transparency and accountability. For the first time, members will have a nearly complete accounting of all receipts and disbursements. These benefits are difficult to quantify, but we believe members have benefited greatly from the 2003 revisions to the Form LM-2. The revisions adopted in this final rule and those adopted in the 2003 final rule have created the most functional and informative Form LM-2 in Department history.

Regarding the LM-3 revocation burden analysis, several commenters suggested that the analysis was flawed in many aspects. First, some commenters questioned the means by which the Department estimated that 96 LM-3 filers will have their privilege revoked. Second, some commenters argued that the Department failed to fully account for the reporting burden by not including the computer hardware and software costs in the analysis. Third, some commenters argued that the Department did not use actual data from

Form LM-2 reports to estimate the total burden hours and costs, and instead of using actual data available on the e.LORS database, the Department merely reduced the total LM-2 burden hours by 69% and used the Tier I LM-2 filers' salary data.<sup>24</sup> Critics suggested that such a blanket reduction does not take into account the time needed to review the LM-2 rules and requirements, review each disbursement and receipt, record the necessary information, place the disbursements into the appropriate functional categories, and prepare the form.

The Department has revised its methodology to determine the LM-3 revocation burden and cost. As explained further below, where possible, the Department has based the LM-3 revocation burden on actual data taken from LM-3s. The information that could not be drawn from the LM-3s was estimated from LM-2 filers with between \$250,000 and \$500,000 in annual receipts. These additions will improve both the burden and cost estimates.

In sum, based upon careful consideration of all the comments regarding the burden analysis in the NPRM, the Department has made adjustments to its quantitative methods and therefore to its burden estimates. As reflected in the analysis that follows, the Department has, among other things:

- Calculated salary data for labor organizations presidents and treasurers from LM-2 data using a proportionate stratified random sample;
- Revised the compensation cost for each individual, accountant, president, treasurer, etc., by increasing wages by 30.2% to account for total compensation, including compensation received in the form of benefits;
- Employed publicly available data from the Department's e.LORS database and the Federal Mediation and Conciliation Service to determine the number of employers that will make dues payments;
- Employed data from the Department's e.LORS database to determine the number of labor organizations that will pay and receive per capita taxes;
- Employed the aggregate receipts reported on Summary Schedule B to estimate the number of itemized receipts on Schedules 16-22;

- Calculated the number of indirect disbursements to officers and employees for lodging or travel by employing the total number of disbursements for official business currently reported on the LM-2;

- Replaced the overall percentage reduction for computing the burden associated with LM-3 revocation with discrete analyses of the burden for each schedule, summary schedule, and item using the same assumptions as used in the LM-2 analysis; and
- Where possible, employed LM-3 data to estimate the number of itemized receipts and disbursements, and if LM-3 data was not available, employing Tier I LM-2 data.

As a result of these improvements to the Department's methodological approach, the estimates of costs to labor organizations for compliance with this rule have been revised upward.<sup>25</sup> Those figures are reported in the analyses that follow. Pursuant to the PRA, the information collection requirements contained in this final rule were submitted to OMB, and received approval on January 8, 2009, under an OMB control number 1215-0188, which will expire on September 30, 2011. The Form LM-2 and its instructions, which are modified to reflect the new filing criteria, are published as an appendix to this final rule. The instructions to the Form LM-3, which have been modified to reflect the new revocation procedure, are also published as an appendix to this final rule.

#### B. Summary of the Rule: Need and Economic Impact

This final rule has improved the usefulness and accessibility of information to members of labor organizations subject to the LMRDA. The LMRDA reporting provisions were devised to protect the basic rights of labor organization members and to guarantee the democratic procedures and financial integrity of labor organizations. The 1959 Senate report on the version of the bill later enacted as the LMRDA stated clearly that "[t]he members who are the real owners of the money and property of the organization are entitled to a full accounting of all transactions involving their property." S. Rep. No. 187 (1959), at 8, *reprinted*

in 1 NLRB Legislative History of the Labor-Management Reporting and Disclosure Act of 1959, at 404. A full accounting included "full reporting and public disclosure of union internal processes [and] financial operations." *Id.* at 2.

As labor organizations have become more multifaceted and have created hybrid structures for their various activities, the form used to report financial information with respect to these activities had until recently remained relatively unchanged and had become a barrier to the complete and transparent reporting of labor organizations' financial information intended by the LMRDA. By providing members of labor organizations with more complete, understandable information about their labor organizations' financial transactions, investments, and solvency, this final rule will put them in a much better position than they are today to protect their personal financial interests and to exercise their rights of self-governance. The information collection achieved by this rule is integral to this purpose. The paperwork requirements associated with the final rule are necessary to enable workers to be responsible, informed, and effective participants in the governance of their labor organizations; discourage embezzlement and financial mismanagement; prevent the circumvention or evasion of the statutory reporting requirements; and strengthen the effective and efficient enforcement of the LMRDA by the Department.

The Department's NPRM in this rulemaking contained an initial PRA analysis, which was also submitted to OMB. The initial PRA analysis was based largely on the PRA analysis prepared by the Department in connection with its 2003 final rule that substantially revised the Form LM-2.<sup>26</sup> The PRA analysis employed in 2003 was approved by the Office of Management and Budget. Based upon careful consideration of comments received regarding the Department's estimate of costs in the NPRM, the Department made methodological revisions which resulted in adjustments to its burden estimates in this final rule. The costs to the Department also were adjusted. Federal annualized costs are discussed following the consideration of the burden on the reporting labor organizations.

Based upon the analysis presented below, the Department estimates that the total first year burden to comply

<sup>24</sup> As indicated in the NPRM, the Department's analysis has segregated labor organizations into three "tiers," based on size of annual receipts. Tier I labor organizations are those with annual receipts between \$250,000 and \$499,999; Tier II labor organizations are those with annual receipts between \$500,000 and \$6.5 million; and Tier III labor organizations are those with annual receipts over \$6.5 million.

<sup>25</sup> This upward revision was modest, and occurred despite the fact that overall compliance costs to labor organizations were reduced as a result of changes made in the final rule, in particular, to reporting requirements for the two largest receipt itemization schedules, dues and per capita taxes. These modifications from the NPRM realized a reduction in overall compliance costs for covered labor organizations, but the methodological improvements in the cost analysis offset those savings.

<sup>26</sup> The PRA analysis for the revisions to Form LM-2 in 2003 is set forth at 68 FR 58436-42.

with revised Form LM-2 will be 685,924 hours for all covered labor organizations. The total first year compliance costs associated with this burden is estimated to be \$22,143,880 for all covered labor organizations. Both the burden hours and the compliance costs associated with Form LM-2 decline in subsequent years. The Department estimates that the total burden averaged over the first three years for all covered labor organizations to comply with the Form LM-2 to be 274,539 hours per year. The total compliance costs associated with this burden averaged over the first three years are estimated to be \$8,863,038 for all covered labor organizations.<sup>27</sup>

### C. Background on Current Form LM-2

Every labor organization whose total annual receipts are \$250,000 or more and those organizations that are in trusteeship must currently file an annual financial report using the current Form LM-2, Labor Organization Annual Report, within 90 days after the end of the labor organization's fiscal year, to disclose its financial condition and operations for the preceding fiscal year. The current Form LM-2 is also used by covered labor organizations with total annual receipts of \$250,000 or more to file a terminal report upon losing their identity by merger, consolidation, or other reason.

The current Form LM-2 consists of 21 questions that identify the labor organization and provide basic information (in primarily a yes/no format); a statement of 11 financial items on different assets and liabilities; a statement of receipts and disbursements; and 20 supporting schedules. The information that is reported includes: whether the labor organization has any trusts; whether the labor organization has a political action committee; whether the labor organization discovered any loss or shortage of funds; the number of members; rates of dues and fees; the dollar amount for seven asset categories, such as accounts receivable, cash, and investments; the dollar amount for four liability categories, such as accounts payable and mortgages payable; the dollar amount for 13 categories of receipts such as dues and interest; and the dollar amount for 16 categories of

disbursements such as payments to officers and repayment of loans obtained. Four of the supporting schedules include a detailed itemization of loans receivable and payable and the sale and purchase of investments and fixed assets. There are also 10 supporting schedules for receipts and disbursements that provide members of labor organizations with more detailed information by general groupings or bookkeeping categories to identify their purpose. Labor organizations are required to track their receipts and disbursements in order to correctly group them into the categories on the current form.

The Department also has developed an electronic reporting system for labor organizations, e.LORS, which uses information technology to perform some of the administrative functions for the current forms. The objectives of the e.LORS system include the electronic filing of current Forms LM-2, LM-3, and LM-4, as well as other LMRDA disclosure documents; disclosure of reports via a searchable Internet database; improving the accuracy, completeness and timeliness of reports; and creating efficiency gains in the reporting system. Effective use of the system reduces the burden on reporting organizations, provides increased information to members of labor organizations, and enhances LMRDA enforcement by OLMS. The OLMS Online Public Disclosure site is available for public use at <http://www.unionreports.gov>. The site contains a copy of each labor organization's annual financial report for reporting year 2000 and thereafter as well as an indexed computer database of the information in each report.

Filing labor organizations have several advantages with the current electronic filing system. With e.LORS, information from previously filed reports and officer or employee information can be directly imported into Form LM-2. Not only is entry of the information eased, the software also makes mathematical calculations and checks for errors or discrepancies.

### D. Overview of Changes to Form LM-2

The revised Form LM-2 includes: the same number of questions (21) as the current form that identify the labor organization and provide basic information (in the same general yes/no format); the same (11) financial items on assets and liabilities in Statement A; an updated Statement B that asks for information in the same categories of receipts (13) as the current Form LM-2 and ten additional supporting schedules (for a total of 23 instead of 13).

Under this final rule, several of the current supporting schedules will change. The schedules for "Sale of Investments and Fixed Assets" and "Purchase of Investments and Fixed Assets" will be modified by the inclusion of the name of the party transacting with the labor organization in the purchase or sale. The schedule for "Benefits" will be modified and the disbursements for benefits to labor organization officers and employees will be reported in the schedules for disbursements to officers and employees.

Under the final rule, the Form LM-2 will be revised to require labor organizations to individually identify receipts within supporting schedules for all of the current categories of receipts.

### E. Methodology for the Burden Estimates

As an initial matter, it should be noted, as was noted in the NPRM, that some of the numbers included in both this PRA analysis and the preceding regulatory flexibility analysis will not add perfectly due to rounding.

In reaching its estimates, the Department considered both the one time and recurring costs associated with the final rule. Separate estimates are included for the initial year of implementation as well as the second and third years. For filers, the Department included separate estimates, based on the relative size of labor organizations as measured by the amount of their annual receipts. The size of a labor organization, as measured by the amount of its annual receipts, will affect the burden on reporting labor organizations. For example, larger labor organizations have more receipts and disbursements to itemize and more employees who have to estimate their time allocation.

In 2006, there were approximately 4,571 labor organizations that were required to file Form LM-2 reports under the LMRDA (approximately 19.11 percent of all labor organizations covered by the LMRDA).<sup>28</sup> Although these estimates may not be predictive of the exact number of labor organizations that will be impacted by this rule in the future, the Department believes these estimates to be sound and derived from the best available information.

The Department's estimates include costs incurred by the labor organization for both labor and equipment. The labor costs reflect the Department's assumption that the labor organizations will rely upon the services of some or

<sup>27</sup> The compliance costs for all covered labor organizations for the first year, and the compliance costs averaged over the first three years—\$22.14 million and \$8.86 million, respectively—are well below the \$100,000,000 threshold that would make this rule economically significant under Executive Order 12866. Therefore, as noted above, this rule is not an "economically significant" regulatory action under section 3(f)(1) of Executive Order 12866.

<sup>28</sup> The Department has updated these figures from the NPRM, which relied on 205 LM-2 reports.

all of the following positions (either internal or external staff, including the labor organization's president, secretary-treasurer, accountant, bookkeeper, and computer programmer) and the compensation costs for these positions, as measured by wage rates and employer costs published by the Bureau of Labor Statistics or derived from data reported in e.LORS.

The Department also made assumptions relating to the amount of time that particular tasks or activities would take. The activities occur during the distinct "operational" phases of the rule: first, tasks associated with modifying bookkeeping and accounting practices, including the modification or purchase of software, to capture data needed to prepare the required reports; second, tasks associated with recordkeeping; and third, tasks associated with sending or exporting the data in an electronic format that can be processed by the Department's import software. Since the analysis is designed to provide estimates for a "representative" labor organization the Department's estimates largely reflect weighted averages. Where an estimate depends upon the number of labor organizations subject to the LMRDA or included in one of the tier groups, the Department has relied upon data in the e.LORS system (for the years stated for each example in the text or tables).

The following methodology and assumptions underlie the Department's burden estimates:

- The size of a labor organization, as measured by the amount of its annual receipts, will affect the burden on reporting labor organizations. Larger labor organizations have more receipts and disbursements to itemize and more employees who have to estimate their time allocation. Three tiers, based on annual receipts, have been constructed to differentiate the burdens among Form LM-2 filers.

- A labor organization's use of computer technology, or not, to maintain its financial accounts and prepare annual financial reports under the current rule, will affect the burden on reporting labor organizations. Although few Form LM-2 filers do not have computers, the larger the labor organization the greater likelihood that it will be using a specialized accounting program instead of commercial-off-the-shelf accounting software.

- Relative burden will correspond to the following predictable stages: review of the rule, instructions, and forms; adjustments to accounting software and computer hardware; installation, testing, and review of the Department's reporting software; changing accounting

structures and developing, testing, reviewing, and documenting accounting software queries as well as designing query reports; training officers and employees involved in bookkeeping and accounting functions; training officers and employees to maintain information relating to transactions and estimating the amount of time they expend in prescribed categories; the actual recordkeeping of data under the revised procedures associated with itemizing receipts and disbursements and allocating them by functional categories; preparing a download methodology to either submit electronic reports using "cut and paste" methods or the import/export technology allowing for a more automated transfer of data to the Department; the development, testing, and review of any translator software that may be required between a labor organization's accounting software and the Department's reporting software; and completing a continuing hardship exemption request if necessary.

- Burden can be categorized as recurring or non-recurring, with the latter primarily associated with the initial implementation stages. Recordkeeping burden, as distinct from reporting burden, will predominate during the first months of implementation.

- Burden can be usefully reported as an overall total for all filers in terms of hours and cost. This burden, for most purposes, can be differentiated for each individual form. The Federal burden cannot be reasonably estimated by form.

- The estimated burden associated with the current Form LM-2 and Form LM-3 is the appropriate baseline for estimating the burden and cost associated with the final rule.

#### F. Baseline Adjustments: Current Form LM-2

Prior to the 2003 revision, the Department assumed that 5,038 local labor organizations would take 200 hours and 141 national and international labor organizations would take 1,500 hours to collect and report their information on the current Form LM-2 for a weighted average of approximately 240.0 hours for each of the 5,179 respondents. In addition, the Department assumed at that time that Form LM-2 filers would take an average 24.0 hours for accounting, 16.0 hours for programming, 8.0 hours for legal review, and 4.0 hours for consulting assistance to complete the current form for an average total burden of 292.0 hours per respondent. Further, the Department previously estimated that 160.0 hours of the total is for recordkeeping burden and 132.0 hours is for reporting burden.

In 2003, the Department estimated that on average, labor organizations would spend 536.0 hours to comply with the recordkeeping and reporting requirements.

In 2003 the Department estimated that the average annual cost of complying with the current Form LM-2 recordkeeping and reporting requirements per respondent would be \$24,271. The total annual cost for all respondents (based on the more recent estimate of 4,452 reporting labor organizations rather than the 5,038 estimate used in 2003) is estimated to be \$116.0 million for the current Form LM-2.

#### G. Hours To Complete and File Form LM-2: Recurring and Nonrecurring Reporting and Recordkeeping

To estimate the burden hours and costs for revisions to Form LM-2, the Department, as it did in connection with the 2003 rule, divided the Form LM-2 filers into three groups or tiers, based on the amount of the labor organizations' annual receipts. As discussed, in 2006 there were 4,571 such filers. In Tier I, the Department estimates there are 1,325 labor organizations with annual receipts from \$250,000 to \$499,999.99. The Department assumes that labor organizations within this tier probably use some type of commercial off-the-shelf accounting software program and will most likely use the "cut and paste" feature of the reporting software (see Table 3). In Tier II, the Department estimates there are 3,194 labor organizations with annual receipts from \$500,000 to \$49.9 million. The Department assumes that labor organizations within this tier most likely use some type of commercial off-the-shelf accounting software program and will use all of the electronic filing features of the reporting software. *Id.* Finally, in Tier III, the Department estimates there are 52 labor organizations with annual receipts of \$50.0 million or more. *Id.* The Department assumes that labor organizations within this tier most likely will use some type of specialized accounting software program and also will use all of the electronic filing features of the reporting software.

For each of the three tiers, the Department estimated burden hours for the additional nonrecurring (first year) recordkeeping and reporting requirements, the additional recurring recordkeeping and reporting burden hours, and a three-year annual average for the additional nonrecurring and recurring burden hours associated with the final rule.

The final rule will revise Form LM-2 to improve financial disclosure and clarity within categories of receipts and disbursements. Under the final rule, receipts will have to be disclosed in the same manner that disbursements are currently disclosed and certain disbursements (*e.g.*, benefit payments, travel reimbursements, and transactions involving investment and fixed assets) will be reported in greater detail. To accomplish this result, additional schedules will be required, which will add to the burden associated with each Form LM-2 filed.

For this analysis the Department has used an approach that largely replicates the approach used in 2003, *i.e.*, estimating the burden and costs by the size of labor organizations as measured by the amount of their annual receipts. However, the current approach differs somewhat from the 2003 approach. Since the basic information required on the new and revised schedules is already needed to complete the current Form LM-2, the Department assumes that most of the burden associated with the changes will occur in the first year due to needed changes to the accounting software and staff training. Like it did in 2003, the Department has estimated burden hours and costs for the additional nonrecurring (first year) recordkeeping and reporting requirements, the additional recurring recordkeeping and reporting burden hours, and a three-year annual average for the additional nonrecurring and recurring burden hours. As in 2003, the Department assumes that Tier I and Tier II labor organizations use commercial off-the-self accounting packages and Tier III labor organizations use customized accounting software.

#### 1. Hours to Complete Schedules 3 and 4

For revised Schedules 3 and 4 (Sale of Investments and Fixed Assets and Purchase of Investments and Fixed Assets), the Department estimates that labor organizations will spend, on average, an additional, nonrecurring 10.38 hours per schedule to change their accounting structures; develop, test, review, and document accounting software queries; design query reports; and train accounting personnel. See Table 2 below. This estimated burden is derived from the 2003 Form LM-2 PRA estimate for the first year nonrecurring burden associated with Schedule 17 (Contributions, Gifts, and Grants). The changes to that schedule under the 2003 rule (the addition of date, name and address of payer or payee) are the same changes that are included for Schedules 3 and 4 in this final rule. In 2003, the

Department determined that in order to provide this information it would take Tier I and II labor organizations 5.3 hours to change their accounting systems and Tier III labor organizations 13.3 hours. Again, as in 2003, the Department estimates that it will take Tier I, II and III labor organizations 1 hour to design the report, 1 hour to develop a query, .75 hours to test the query, .5 hours for management review, .75 hours to document the query process, and .25 hours to train staff. The Department estimates that Tier II and III labor organizations will spend an additional hour preparing download methodology. The average burden was computed by taking the burden in each tier and weighting it by the number of unions in each tier.

To record the date of the transaction and address of the payee on Schedule 4, the Department estimates, using a weighted average based on the number of labor organizations within each tier, that labor organizations will spend an additional (recurring) .03 hours on recordkeeping burden and .48 hours on reporting. To record the date of the transaction and address of the payer on Schedule 3, the Department estimates, using a weighted average based on the number of labor organizations within each tier, that labor organizations will spend an additional (recurring) .01 hours on recordkeeping burden, and .49 hours on reporting burden. Based on extensive public comment and analysis, the Department in 2003 made the following underlying assumptions in determining its final burden numbers. First, that it would take the average Form LM-2 filer approximately .05 hours of additional recordkeeping time per receipt/disbursement to record the name and address of the payer/payee. Second, Tier I labor organizations would incur an additional recordkeeping burden from training (.25 hours) and preparing the report (.33 hours) to record the name and address of the payer/payee. Third, that approximately one-half of the Tier II labor organizations already kept these records, and all Tier III labor organizations kept these records. Therefore, all Tier I labor organizations would be subject to the additional recordkeeping burden, and one-half the Tier II labor organizations would be subject to the additional recordkeeping burden. The Department has adopted these underlying assumptions for its current analysis.

The number of receipts and disbursements on Schedules 3 and 4 for 2006 was compiled from the e.LORS database, which showed that Tier I labor organizations report, on average, less

than 1 receipt in Schedule 3 and slightly more than 1 disbursement in Schedule 4. On average, Tier II labor organizations report 1.5 receipts in Schedule 3 and less than 3.4 disbursements in Schedule 4. Therefore, the additional recordkeeping burden for Tier I and Tier II filers is .06 hours and .13 hours respectively (average number of disbursements/receipts per tier on Schedules 3 and 4 times .05 hours; then divided by two for the Tier II estimate).<sup>29</sup> It should be noted that the newly adopted exception for purchases and sales over a registered market exchange will further reduce the recordkeeping and reporting burden on these schedules.

Based on the same assumptions underlying the Department's 2006 estimates, the Department assumes that 75% of Tier I filers will use the cut and paste method to enter their data on the Form LM-2 (.08 hour burden per schedule) and 25% will manually enter the data on the Form LM-2 (.016 hour burden per disbursement or receipt) and that all Tier II and III filers will import or attach their data to the Form LM-2 for an additional reporting burden of .42 hours per schedule. The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

#### 2. Hours to Complete Schedules 11 and 12

For revised Schedules 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees), the Department estimates that labor organizations will spend, on average, 10.38 hours to change their accounting structures; develop, test, review, and document accounting software queries; design query reports; and train accounting personnel. As explained below, this estimated burden was reached by analyzing the 2003 burden estimates from the Form LM-2 final rule for Schedules 11 and 17 and applying that data to the Form LM-2 officer and employee entries on Form LM-2 reports filed with the Department in 2007. As in 2003, the Department assumes that the time required to add a column to one schedule is the same for any schedule. To download the relevant information from their records, programmers will only have to designate an appropriate location on their electronic filing system for collecting and reporting this information. Therefore, each labor

<sup>29</sup> The sum is divided for Tier II labor organizations because, as noted above, the Department estimated that one-half of these organizations already keep these records.

organization would require, on average, approximately 5.2 hours to add the benefits column to Schedules 11 and 12 (one-half the time required to add two columns to Schedules 3 and 4). The Department has applied the same nonrecurring burden to the Disbursements for Official Business revision as to the benefits revision, 5.2 hours.<sup>30</sup> The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

As explained below, the Department estimates that, on average, labor organizations will take an additional (recurring) hour on recordkeeping burden and half an hour on reporting burden to enter the amount officers receive in benefits on Schedule 11 and track the indirect disbursements for temporary lodging or transportation. Again, these estimates are calculated using the recurring burden estimates from 2003 for Schedules 11 and 17. The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

The changes to Schedule 11 involve individual columns, not entire schedules. Nevertheless, the Department has assumed that labor organizations will expend about the same amount of time keeping records and entering data required by the new columns on Schedule 11 (using the same methodology, as discussed above, for Schedules 3 and 4). To report the additional information required by the new schedule, labor organizations will have to report the amount each of its officers receives in benefits from the labor organization. The labor organization must keep records of the benefits each officer receives, like an itemized schedule, then aggregate the payments and report the aggregate amount next to the officer's name. Although the individual disbursements of \$5,000 or more need not be entered on the Form LM-2, the labor organization must track all the disbursements for benefits so that a final lump sum total can be entered for each officer on Schedule 11. Currently, labor organizations are required to keep records of all benefits they provide to officers on the IRS Form 990. Therefore, there is no recurring *recordkeeping*

burden associated with the new benefits column.

The Department assumes that Tier III labor organizations are already tracking the data required to report travel and lodging on Schedule 11. After weighting the averages based on the number of labor organizations in the two remaining tiers, the Department concludes that labor organizations in Tier I and Tier II will spend one hour a year tracking indirect disbursements for temporary lodging or transportation as a result of the following analysis. In 2007, 46% of Tier I officers, or approximately 4.53 officers per labor organization, reported \$1,800 in disbursements for official business; 55% of Tier II officers, approximately or 7.27 officers per labor organization, reported \$3,768 in disbursements for official business; and 84% of Tier III officers, or approximately 46.43 officers per labor organization, reported \$9,354 in disbursements for official business. Based on institutional experience, the Department assumes that the average trip or hotel will cost \$600. Dividing the average reported disbursements for official travel by \$600 provides a reasonable estimate of the number of indirect disbursement for official travel or lodging. Therefore, on average, each Tier I labor organization will have 4.53 officers who receive slightly more than 3 indirect disbursements for travel or lodging and each Tier II labor organization will have 7.27 officers who receive approximately 6.28 indirect disbursements for travel or lodging. The Department again assumes that Tier I labor organizations will spend 3 minutes on recordkeeping per disbursement, half of the tier II labor organizations will spend 3 minutes on recordkeeping per disbursement.

There is a slight recurring *reporting* burden, on average, of .50 hours. The Department assumes that 75% of Tier I filers would use the cut and paste method to enter their data on the Form LM-2 (.08 hour burden per column entering data, .25 hours on training, .33 hours preparing the report), and 25% would manually enter the data on the Form LM-2 (.016 hour burden per officer, .25 hours on training, .33 hours preparing the report). Tier II and III filers will import or attach their data to the Form LM-2 for an additional reporting burden of .42 hours. Indirect disbursements for travel and lodging will be included in the aggregate reported in "Disbursements for Official Business." Therefore, there is no new recurring reporting burden for indirect disbursements for temporary lodging or transportation. The average burden was computed by taking the burden in each

tier and weighting it by the number of labor organizations in each tier.

Compared to revised Schedule 11, the Department estimates that, on average, labor organizations in Tiers I and II will spend slightly more time on revised Schedule 12, and that labor organizations in Tier III already keep records of benefits and indirect disbursements. Labor organizations in Tiers I and II, on average, will spend an additional (recurring) 1.91 hours of recordkeeping burden and .49 hours of reporting burden to track and enter the amount employees receive in benefits on Schedule 12 and track the indirect disbursements for temporary lodging or transportation. Unlike benefits to officers (which are reported on Schedule 11), labor organizations do not have to track benefits paid to employees for the IRS Form 990 unless those employees are "key employees." Further, labor organizations have not had to track by individual employee the indirect disbursements to employees for lodging or travel under the current Form LM-2.

There is no way to determine the amount or number of benefits or indirect disbursement for lodging or travel being paid to employees from the current Form LM-2. To estimate the additional burden associated with these tasks, the Department assumes that labor organizations will expend the same amount of time keeping records of benefits and indirect disbursements for lodging or travel for data entry on Schedule 12 as they do on Schedules 3 and 4. The Department assumes that labor organizations already keep some records of benefits paid to employees and indirect disbursements for lodging and travel. However, it is unlikely that these benefits or disbursements appear next to the name of the person who received them. Therefore, like Schedules 3 and 4, the labor organizations will now have to track the name of the person to whom (or on whose behalf) the disbursement is made. As on Schedule 3 and 4, the Department assumes that Tier I labor organizations will spend 3 minutes (.05 hours) on keeping records per disbursement, one half of the Tier II labor organizations will already keep data on benefits and indirect disbursements for lodging or travel made to employees, but the other one half will spend approximately 3 minutes (.05 hours) per disbursement, and Tier III labor organizations already keep records of benefits and indirect disbursements.

The Department assumes that each employee will receive, on average, one reportable benefit. If each employee

<sup>30</sup> The Department suspects that it will take significantly less time to make the changes listed above to column F (Disbursements for Official Business) on Schedules 11 and 12, which will now include indirect disbursements for temporary lodging or transportation while on official business for the labor organization. However, this information has never been reported by *individuals* and there is no data upon which to reliably estimate the number of disbursements.



receives one reportable benefit, then Tier I labor organizations will spend approximately 3 minutes (.05 hours) per employee keeping records of benefits paid employees. On average, Tier I labor organizations have 2.79 employees listed on their Form LM-2 and Tier II labor organizations have 10.24 employees listed on their Form LM-2. Therefore, on average, labor organizations will spend .02 hours keeping records on benefits to employees each year.

Like Schedule 11, the Department calculated the schedule 12 indirect disbursements for travel and lodging recordkeeping burden using the aggregate currently reported in disbursements for official business. In 2007, 35% of Tier I employees, or approximately 1 employee per labor organization, reported \$2,550.78 in disbursements for official business; 59% of Tier II employees, or approximately 6 employees per labor organization, reported \$5,049.82 in disbursements for official business; and 74% of Tier III employees, or approximately 240.67 employees per labor organization, reported \$9,022 in disbursements for official business. The Department assumes that the average trip or hotel will cost \$600. Dividing the average reported disbursements for official travel by \$600 provides a reasonable estimate of the number of indirect disbursement for official travel or lodging. Therefore, on average, each Tier I labor organization will have 1 employee who receives 4.25 indirect disbursements for travel or lodging and each Tier II labor organization will have 6 employees who receive approximately 8.42 indirect disbursements for travel or lodging. The Department again assumes that Tier I labor organizations will spend 3 minutes on recordkeeping per disbursement, half of the Tier II labor organizations will spend 3 minutes on recordkeeping per disbursement, and Tier III labor organizations will already track the data. Therefore, on average, labor organizations in Tier I and Tier II will spend 1.89 hours keeping records on indirect disbursements for travel and lodging to employees each year.

Labor organizations will spend an additional 1.91 hours keeping records of employee benefits and indirect disbursements to employees for lodging or travel. Like Schedules 3 and 4, the Department assumes it will take Tier I labor organizations .05 hours for recordkeeping burden per transaction to keep the new data. The Department, however, also assumes that one-half the Tier II labor organizations currently keep the records, and all the Tier III labor organizations keep the records.

Additionally, the Department assumes that labor organizations will use the same method for reporting benefits as they use throughout the Form LM-2. Therefore, the Department estimates that labor organizations will spend an additional .49 hours per year reporting benefits on the Form LM-2. There is no additional reporting cost associated with the removal of the exemption for indirect disbursements to employees for lodging or travel. This information is now reported in Schedules 15 through 20, as appropriate, so only the reporting location on the form is changed. The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

### 3. Hours To Complete Schedule 14

On average, labor organizations will spend 10.38 hours in the first year changing the accounting structure; developing, testing, reviewing, and documenting accounting software queries; designing query reports; and training accounting personnel. As in 2003, the Department estimates that it will take Tier I and Tier II labor organizations 5.3 hours to change their accounting structures and 13.3 hours for Tier III labor organizations to change their accounting structures. Additionally, the Department estimates that each labor organization will spend approximately 4.95 hours setting up the reporting system. The smallest Form LM-2 filers, Tier I, will spend approximately 4.25 hours setting up their reporting schedules (1 hour to design report, 1 hour to develop query, .75 hours to test query, .5 hours for management review, .75 hours for document query process, and .25 hours to train new staff). The Tier II and III labor organizations will spend an additional hour setting up their systems as their systems are more complicated and will require a greater number of entries.

To reduce the overall recordkeeping and reporting burden, the Department amended the itemization rules for Schedule 14. The labor organization will never have to itemize dues and agency fees received directly from members; dues and agency fees received directly from an employer are reported as yearly totals.

Unlike the NPRM which used Schedule 14 data to estimate the number of itemized receipts on Schedule 14, this final rule used Federal Mediation and Conciliation Service ("FMCS") data to estimate the number of dues and agency fees itemized on Schedule 14. To estimate the number of union employers, the Department relied

on FMCS's Form F-7, which must be filed by a labor organization or employer with the FMCS thirty days after notification to the other party of the intent to terminate or modify a collective bargaining agreement. Typically, collective bargaining agreements are renegotiated every 3 years. Therefore, the Department can reasonably estimate the number of employers employing employees in bargaining units represented by labor organizations by determining the number of Form F-7s filed between 2004 and 2006, 54,884.<sup>31</sup> In 2006, the Department received 4,571 Form LM-2s out of 23,924 labor organization filings. The Department assumes that smaller labor organizations, those that do not file the LM-2, represent the employees of one employer. That leaves 30,960 (54,884 - 23,924) union employers who have collective bargaining agreements with LM-2 filers. Therefore, on average, each LM-2 filer receives dues from 6.77 employers.

In 2003 the Department made the underlying assumption that labor organizations will spend 3 minutes (.05 hours) on recordkeeping per disbursement or receipt. Further, the Department assumed that all the largest labor organizations, Tier III, and 10% of the Tier II labor organizations will already keep this data. The Department has adopted the above underlying assumptions in its current analysis. If it takes 3 minutes of recordkeeping per receipt or disbursement, then the average labor organization will spend .31 hours on recordkeeping each year. Further, as in 2003, the Department assumes that Tier I filers will spend .25 hours on training, .33 hours preparing the report and 1 minute (.02 hours) to manually enter each disbursement or receipt on the report and Tier II and III filers will spend 25 minutes (.42 hours) per schedule to cut and paste or import their data onto the Form LM-2.

<sup>31</sup> Because there is no publicly available source for obtaining the number of employers employing workers represented by labor organizations, the Department has relied instead on the number of Form 7s filed by labor organizations to estimate this figure. The Department recognizes that the filing of a Form 7 is a requirement of the National Labor Relations Act, 29 U.S.C. 158(d)(3), and, as a result, labor organizations and employers covered by the Railway Labor Act, 45 U.S.C. 151 *et seq.*, and public sector labor organizations not covered by the NLRA but that file LM reports as "mixed" unions, are not included in this figure. Further, the Department recognizes that because Form 7s represent contract disputes, more than one Form 7 may be filed by employers or labor organizations representing employees employed by that employer. Finally, the estimate assumes full compliance with the NLRA notice requirement. Although imperfect, the Department views this figure as a best estimate of the number of employers employing workers represented by labor organizations.

Therefore, the Department estimates the reporting burden per schedule to be .50 hours. The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

#### 4. Hours To Complete Schedule 15

On average, labor organizations will spend 10.38 hours in the first year changing the accounting structure; developing, testing, reviewing, and documenting accounting software queries; designing query reports; and training accounting personnel. As in 2003, the Department estimates that it will take Tier I and Tier II labor organizations 5.3 hours to change their accounting structures and 13.3 hours for Tier III labor organizations to change their accounting structures. Additionally, the Department estimates that each labor organization will spend approximately 4.95 hours setting up the reporting system. The smallest Form LM-2 filers, Tier I, will spend approximately 4.25 hours setting up their reporting schedules (1 hour to design report, 1 hour to develop query, .75 hours to test query, .5 hours for management review, .75 hours for document query process, and .25 hours to train new staff). The Tier II and III labor organizations will spend an additional hour setting up their systems as their systems are more complicated and will require a greater number of entries.

To reduce the overall recordkeeping and reporting burden, the Department amended the itemization rules for Schedule 15. The labor organization will never have to itemize per capita taxes received direct from members and per capita taxes received directly from an affiliate are reported as yearly totals.

Unlike the NPRM, which used Schedule 14 data to estimate the number of itemized receipts on Schedule 15, this final rule used e.LORS data to estimate the number of per capita taxes itemized on Schedule 15. To determine the per capita tax recordkeeping burden the Department estimated the number of affiliates per

LM-2. In 2006, 12,025 LM-3s were filed with OLMS, and of these 11,168 were designated locals. Labor organizations need only itemize per capita taxes from affiliates that exceed \$5,000. Therefore, the Department limited its LM-4 search to those that had \$5,000 or more in disbursements. OLMS received 1,332 LM-4s in 2006 from labor organizations that had greater than \$5,000 in disbursements. Additionally, 1,325 Tier I LM-2 filers indicated that they were locals; 2,702 Tier II LM-2 filers indicated that they were locals; and 15 Tier III LM-2 filers indicated that they were locals. In sum, there were 16,592 local labor organizations and 650 intermediate and international LM-2 filers. Tier I has 121 intermediate and international LM-2 filers, Tier II has 492 intermediate and international LM-2 filers, and Tier III has 37 intermediate and international LM-2 filers. Without more precise data, the Department assumed that all intermediate and international LM-2 filers had the same number of affiliates, 25.53 itemized per capita taxes.

In 2003, the Department made the underlying assumption that labor organizations will spend 3 minutes (.05 hours) on recordkeeping per disbursement or receipt. Further, the Department assumed that all the largest labor organizations, Tier III, and 10% of the Tier II labor organizations will already keep this data. The Department has adopted the above underlying assumptions in its current analysis. If it takes 3 minutes of recordkeeping per receipt or disbursement, then the average labor organization will spend .16 hours on recordkeeping each year. Further, as in 2003, the Department assumes that Tier I filers will spend .25 hours on training, .33 hours preparing the report and 1 minute (.02 hours) to manually enter each disbursement or receipt on the report and Tier II and III filers will spend 25 minutes (.42 hours) per schedule to cut and paste or import their data onto the Form LM-2.

Therefore, the Department estimates the reporting burden per schedule to be .48 hours. The average burden was

computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

#### 5. Hours To Complete Schedules 16 Through 22

For revised Schedules 16 through 22, the Department estimates that labor organizations will spend, on average, 10.38 hours per schedule to change their accounting structures; develop, test, review, and document accounting software queries; design query reports; and train accounting personnel. This burden estimate is based largely on the 2003 burden estimates for Schedule 14. As in 2003, the Department estimates that it will take Tier I and Tier II labor organizations 5.3 hours to change their accounting structures, and 13.3 hours for Tier III labor organizations to change their accounting structures.

Additionally, the Department estimates that each labor organization will spend approximately 4.95 hours setting up the reporting system. The smallest Form LM-2 filers, Tier I, will spend approximately 4.25 hours setting up their reporting schedules (1 hour to design report, 1 hour to develop query, .75 hours to test query, .5 hours for management review, .75 hours for document query process, and .25 hours to train new staff). The Tier II and Tier III labor organizations will spend an additional hour setting up their systems, as their systems are more complicated and will require a greater number of entries.

Unlike the NPRM, the burden estimate in this final rule used the aggregates reported on Statement B items 38 through 42 and 46 through 47 to estimate the number of itemized receipts reported on the new schedules 16 through 22. The aggregates reported in each item were divided by \$5,000 to estimate the number of itemized receipts. For example, in 2006, on average, Tier I LM-2 filers report that they received \$5,684.98 in interest. When the aggregate is divided by \$5,000, we reach 1.14 itemized disbursements. These findings are summarized on Table 1.

TABLE 1—LM-2 RECEIPT ITEMIZATION SUMMARY

Schedule	Tier I	Tier II	Tier III
Fees, Fines, Assessments, Work Permits .....	4.72	39.44	235.64
Sale of Supplies .....	0.08	0.50	22.70
Interest .....	1.14	10.05	685.52
Dividends .....	0.22	2.88	146.74
Rents .....	0.56	4.86	272.42
On Behalf of Affiliates for Transmittal to Them .....	0.74	37.60	3,017.36
From Members for Disbursement on Their Behalf .....	1.02	9.35	644.38

In 2003, the Department made the underlying assumption that labor organizations will spend 3 minutes (.05 hours) on recordkeeping per disbursement or receipt. Further, the Department assumed that all the largest labor organizations, Tier III, and 10% of the Tier II labor organizations will already keep this data. The Department

has adopted the above underlying assumptions in its current analysis. Further, as in 2003, the Department assumes that Tier I filers will spend .25 hours on training, .33 hours preparing the report and 1 minute (.02 hours) to manually enter each disbursement or receipt on the report and Tier II and III filers will spend 25 minutes (.42 hours)

per schedule to cut and paste or import their data onto the Form LM-2. The burden estimates for Schedules 16 through 22 are summarized on Table 3. The average burden was computed by taking the burden in each tier and weighting it by the number of labor organizations in each tier.

Table 2: Average Burden Chart

Reporting or Recordkeeping Requirements	Nonrecurring Recordkeeping Burden Hours	Nonrecurring Reporting Burden Hours	Recurring Recordkeeping Burden Hours	Recurring Reporting Burden Hours	Total Nonrecurring Burden Hours	Total Recurring Burden Hours
<b>Revised Schedules:</b>						
Sale of Investments and Fixed Assets	5.42	4.96	0.01	0.48	10.38	0.50
Purchase of Investments and Fixed Assets	5.42	4.96	0.03	0.48	10.38	0.52
All Officers and Disbursements to Officers	5.42	4.96	1.00	0.50	10.38	1.49
Disbursements to Employees	5.42	4.96	1.91	0.49	10.38	2.40
<b>New Schedules:</b>						
Dues and Agency Fees	5.42	4.96	0.31	0.50	10.38	0.81
Per Capita Tax	5.42	4.96	0.16	0.48	10.38	0.63
Fees, Fines, Assessments, and Work Permits	5.42	4.96	1.31	0.49	10.38	1.80
Sale of Supplies	5.42	4.96	0.02	0.47	10.38	0.48
Interest	5.42	4.96	0.33	0.47	10.38	0.80
Dividends	5.42	4.96	0.09	0.47	10.38	0.56
Rents	5.42	4.96	0.16	0.47	10.38	0.63
Receipts on Behalf of Affiliates for Transmittal to Them	5.42	4.96	1.19	0.47	10.38	1.66
Receipts from Members for Disbursements on Their Behalf	5.42	4.96	0.31	0.47	10.38	0.78
<b>Total Additional Burden</b>	<b>70.52</b>	<b>64.48</b>	<b>6.84</b>	<b>6.22</b>	<b>135.00</b>	<b>13.06</b>

## 6. Hours to Review Instructions

Finally, the Department estimates that labor organizations will spend, on average, an additional, recurring 2.0 hours reviewing the revised Form LM-2 and instructions. In 2003, the Department estimated that, on average, labor organizations would spend 4.0 hours reviewing the current Form LM-2 and instructions. The 2003 instructions were 44 pages and the new instructions are 52 pages. The changes to the LM-2 have added only 6 pages. The Department views as sufficient an additional 2.0 hours for review of the instructions.

## 7. Subsequent Yearly Burden

Given the current widespread use of automated accounting packages and labor organizations' experience with the electronic filing, the Department is not making the assumption (that was made in 2003) that over time the recurring burden would be reduced due to efficiency gains as the accounting staff became familiar with the software. Rather, the Department assumes that the second and third year burden will be equal to the recurring first year burden.

## 8. Compensation Cost

The Department assumes that, on average, the completion by a labor organization of Form LM-2 will involve an accountant/auditor, computer software engineer, bookkeeper/clerk, labor organization president and labor organization treasurer. Based on the 2007 BLS wage data, accountants earn \$30.37 per hour, computer engineers

earn \$41.18 per hour, and bookkeepers/clerks earn \$15.76 per hour.<sup>32</sup> BLS estimates that the cost of an employee's total compensation is approximately 30.2% higher than the employee's wages alone. Therefore, in order to account for total compensation, the Department adjusted each of the BLS salaries upward to include the additional 30.2% attributed to benefit to estimate the total compensation cost for each of the individuals involved in completing the Form LM-2.

To estimate the average annual salaries of labor organization officers needed to complete tasks for compliance with this rule—the president and treasurer—the Department drew a proportionate stratified sample from the 4,571 LM-2 filers. A proportionate stratified sample ensured that neither large nor small labor organizations were over-represented in the sample and permitted the final cost figures to be reported without regard to “tier” or size, as was done with the NPRM.

The Department first calculated the appropriate sample size. Consistent with commonly accepted statistical practices, the Department determined that a level of precision or sample error of 6%, a confidence interval of 90%, and a degree of variability of 50% (maximum variability) was acceptable for the Form LM-2 final burden analysis. The sample size of 180 LM-2

filers was then increased by 20% to 217, in order to ensure an appropriate sample size was maintained throughout the analysis.

The population was arranged into three strata based on annual receipts:

- Strata I (\$250,000—\$499,999 receipts): 1,325 Form LM-2 filers
- Strata II (\$500,000—\$6.5 mil receipts): 2,895 Form LM-2 filers
- Strata III (\$6.5 mil and higher receipts): 351 Form LM-2 filers

The proportion of each strata to the population was then determined:

- Strata I (\$250,000—\$499,999 receipts): 28.99%
- Strata II (\$500,000—\$6.5 mil receipts): 63.33%
- Strata III (\$6.5 mil and higher receipts): 7.68%

Finally, the sample size from each strata was drawn proportionately to its representation in the population:

- Strata I (\$250,000—\$499,999 receipts):  $217 \times 28.99\% = 63$
- Strata II (\$500,000—\$6.5 mil receipts):  $217 \times 63.33\% = 137$
- Strata III (\$6.5 mil and higher receipts):  $217 \times 7.68\% = 17$

These average annual salary figures were then adjusted to include the additional 30.2% attributed to benefits to reflect total compensation cost for each officer, which the Department calculated as \$35.15 per hour for labor organization president and \$30.71 per hour for labor organization treasurer.

<sup>32</sup> The wage and salary data is based on information contained in Bureau of Labor Statistics, Occupational Employment Statistics Survey, 2007.

TABLE 3—COMPENSATION COST TABLE

Title	Salary hourly	Salary—yearly	Compensation— cost—hourly
Accountants/Auditors .....	\$30.37	\$63,180.00	\$43.51
Computer software engineers, applications .....	41.18	85,660.00	59.00
Bookkeepers/Clerks .....	15.76	32,780.00	22.58
President .....	24.53	51,027.10	35.15
Treasurer .....	21.44	44,592.89	30.71
Weighted Average .....	.....	.....	32.28

The Department estimated the percentage of time the accountant, computer software engineer, bookkeeper, president, and treasurer would spend completing the LM–2. These percentages were used to calculate a weighted average compensation cost, \$32.28.

#### 9. Conclusion

The Department estimates the additional weighted average reporting and recordkeeping burden for the revised Form LM–2 to be 150.06 hours per respondent in the first year (including nonrecurring implementation

costs) and 15.06 hours per respondent in the second and third years. See Table 3 below. The Department estimates the total additional annual burden hours for respondents for the revised Form LM–2 to be 685,924 hours in the first year and 68,847 hours in the second and third years.

The Department estimates the additional weighted average annual cost for the revised Form LM–2 to be \$4,844 (\$32.28 (weighted average cost per hour) × 150.06 (additional hours to complete the changes to Form LM–2 in first year) = \$4,844) per respondent in the first year (including nonrecurring

implementation costs) and \$486 (\$32.28 (weighted average cost per hour) × 15.06 (additional hours to complete the changes to Form LM–2 in second and third year) = \$486) per respondent in the second year and third year. The Department also estimates the total additional annual cost to respondents for the revised Form LM–2 to be \$22.14 million (\$32.28 × 685,924 (total hours to complete changes to Form LM–2 in first year) = \$22.14 million) in the first year and \$2.22 million (\$32.28 × 68,847 (total hours to complete changes to Form LM–2 in second and third year) = \$2.22 million) in the second and third years.

Table 4: Reporting and Recordkeeping Burden Hours and Costs for Revised Form LM-2

Form	Number of Responses	Reporting Hours Per Respondent	Total Reporting Hours	Recordkeeping Hours Per Respondent	Total Recordkeeping Hours	Total Burden Hours Per Respondent	Total Burden Hours	Average Cost Per Respondent	Total Cost
Current Form LM-2	4,571	146.40	669,194.40	389.60	1,780,861.60	536	2,450,056	\$17,304	\$79,095,891
Additional Burden from Revised Form LM-2									
First Year	4,571	72.70	332,316.15	77.36	353,607.55	150.06	685,924	\$4,844	\$22,143,880
Second Year	4,571	8.22	37,570.40	6.84	31,276.88	15.06	68,847	\$486	\$2,222,617
Third Year	4,571	8.22	37,570.40	6.84	31,276.88	15.06	68,847	\$486	\$2,222,617
Three Year Average	4,571	29.71	135,818.98	30.35	138,720.44	60.06	274,539	\$1,939	\$8,863,038

The Department's estimates of the additional burden and costs associated with the revisions to the Form LM–2 are presented in Table 3. This table only presents the increases associated with the changes to the form. Neither the burden or costs associated with the current Form LM–2 nor the revocation of the privilege of some labor organizations to file the Form LM–3 is included in these estimates.

#### H. Form LM–3 Revocation Procedures Burden Estimates

The Department has established a procedure for revoking the simplified reports filing privilege, provided by 29 CFR 403.4(a)(1), for labor organizations that are delinquent in their Form LM–3 filing obligation, have failed to timely file an amended form after notification that the report is materially deficient, or those for which the Department otherwise finds that the purposes of section 208 of the LMRDA, 29 U.S.C. 438, would be served by such revocation. The Department's ultimate goal in revoking the filing privilege for

such labor organizations is to promote greater financial transparency. As discussed above, the revised paperwork requirements are necessary to effectuate the purposes of the LMRDA by providing members of labor organizations with information about their labor organizations that will enable them to be responsible, informed, and effective participants in the governance of their labor organizations; discourage embezzlement and financial mismanagement; prevent the circumvention or evasion of the statutory reporting requirements; and strengthen the effective and efficient enforcement of the LMRDA by the Department. The manner in which the collected information will serve these purposes is discussed throughout the preamble to this final rule.

Rather than using a general burden reduction, the Department estimated the LM–3 revocation burden using the underlying assumptions in this rule and the 2003 LM–2 final rule. The number of receipts, disbursements, and officers was determined using a proportionate

random sample of 2006 LM–3 data found on the e.LORS database. The distribution of receipts and disbursements was based on 2006 Tier I LM–2 filers.

The Department's proposal has sought to minimize the burden on the reporting labor organization by permitting it to submit the report manually. Upon its receipt of manual reports, the Department will enter the information electronically so that members of labor organizations, the public, and the Department's investigators will be able to access and fully search these reports through the OLMS Online Public Disclosure Room.

For the analysis below, recordkeeping burden is the amount of time the LM–3 filer will spend going through its records to identify the information needed to complete the LM–2. Reporting burden is the amount of time the LM–3 filer will spend transcribing the information onto the LM–2.

#### 1. Review LM-2 Form and Instructions

The Department determined that LM-3 filers who have had their filing privilege revoked will spend 8.32 hours reviewing the Form LM-2 and instructions, which allows an LM-3 filer approximately .16 hours to review each page.

#### 2. LM-2 Page 1 Burden Hours

There is no recordkeeping burden associated with the first page of the LM-2. The first page of the LM-2 reports the same information provided on the first page of the LM-3. The LM-3 filer need only copy the contents of the first page of its LM-3 onto the first page of its LM-2. This copying should take approximately 3 minutes per item. There are 16 items on the first page. Therefore, the reporting burden is estimated at .80 hours.

#### 3. LM-2 Page 2 Burden Hours

The Department estimates that LM-3 filers will expend .33 hours on recordkeeping and .60 hours on reporting to complete the second page of the LM-2. The second page of the LM-3 asks 6 yes/no questions found on the second page of the LM-2 and includes the same 4 fillable items found on the LM-2. There is no additional recordkeeping burden associated with the 6 repeat questions or the 4 fillable items. However, two questions found on the LM-2 are not repeated on the LM-3. The LM-3 filer will spend .33 hours answering these questions. Once the LM-2 specific questions are answered, the LM-3 filer need only copy the information found on its LM-3 onto the LM-2. The Department estimates that LM-3 filers will spend 3 minutes per item copying the information from the LM-3 onto the LM-2 and answering the two additional questions.

#### 4. LM-2 Itemization Schedules

It should be noted that LM-3 filers should already have the information necessary to itemize the receipts, disbursements, assets, and liabilities for the LM-2. The LMRDA requires labor

organization to maintain records "on matters required to be reported which will provide in sufficient detail the necessary basic information and data from which the documents filed with the Secretary may be verified, explained or clarified, and checked for accuracy and completeness, and shall include vouchers, worksheets, receipts, and applicable resolutions, and shall keep records available for examination for a period of not less than five years." 29 U.S.C. 436. However, it is unlikely that LM-3 filers keep the information in the detail or format necessary to complete the LM-2. Therefore, the Department has accounted for this detail and formatting change by adding a recordkeeping burden to itemized receipts, disbursements, assets, and liabilities.

In order to improve the LM-3 revocation burden estimates employed in the NPRM, the Department sampled a randomly selected subset of the 10,977 Form LM-3 filers in 2006. The Department first calculated the appropriate sample size. Consistent with commonly accepted statistical practices, the Department determined that a level of precision or sample error of 6%, a confidence interval of 90%, and a degree of variability of 50% (maximum variability) was acceptable for the Form LM-3 revocation final burden analysis. The sample size of 185 LM-3 filers was then increased by 20% to 222, in order to ensure an appropriate sample size was maintained throughout the analysis.

To improve estimates of means, the Department used a proportionate stratified sample, which ensured that neither large nor small labor organizations were over-represented in the sample and permitted the final cost figures to be reported without regard to "tier" or size, as was done with the NPRM. The population was arranged into three strata based on annual receipts:

- Strata I (\$10,000–\$49,999 receipts): 5,868 Form LM-3 filers

- Strata II (\$50,000–\$149,999 receipts): 3,782 Form LM-3 filers
- Strata III (\$150,000–\$249,999 receipts): 1,327 Form LM-3 filers

The proportion of each strata to the population was then determined:

- Strata I (\$10,000–\$49,999 receipts): 53.46%
- Strata II (\$50,000–\$149,999 receipts): 34.45%
- Strata III (\$150,000–\$249,999 receipts): 12.09%

Finally, the sample size from each strata was drawn proportionately to its representation in the population:

- Strata I (\$10,000–\$49,999 receipts):  $222 \times 53.46\% = 119$
- Strata II (\$50,000–\$149,999 receipts):  $222 \times 34.45\% = 76$
- Strata III (\$150,000–\$249,999 receipts):  $222 \times 12.09\% = 27$

This sample indicated that the average 2006 LM-3 filer reports \$68,585 in annual receipts, \$67,459 in annual disbursements, \$69,673 in assets, and \$1,901 in liabilities. The Department divided the annual receipts, disbursements, assets, and liabilities by \$5,000 to estimate the maximum number of itemized transactions, and based on this calculation has concluded that LM-3 filers will likely have 13.71 itemized receipts, 13.49 itemized disbursements, 13.93 itemized assets, and .38 itemized liabilities reported on the LM-2.

The Department used Tier I LM-2 data to determine in which schedules these receipts, disbursements, assets, and liabilities would be reported. The Department assumes that the distribution of LM-3 itemized receipts, disbursements, assets and liabilities is similar to the distribution found in LM-2s of labor organizations with between \$250,000 and \$500,000 in receipts. For example, the Department found that 6.51% ( $\$31,326,557 / \$481,289,983 = .0651$  or 6.51%) of total receipts are attributed to fees, fines, assessments, etc. These findings are summarized on Tables 5 through 8.

TABLE 5—ITEMIZED RECEIPT DISTRIBUTION

Receipt functional category	Receipts	Percentage of all receipts
Dues and Agency Fees .....	\$356,476,010.00	74.07
Per Capita Tax .....	22,574,114.00	4.69
Other Fees .....	31,326,557.00	6.51
Sales of Supplies .....	541,767.00	0.11
Interest .....	7,602,504.00	1.58
Dividends .....	1,495,909.00	0.31
Rents .....	3,781,903.00	0.79
On Behalf of Affiliates .....	4,912,381.00	1.02
From Members .....	6,877,831.00	1.43
Loan Repayments .....	518,391.00	0.11

TABLE 5—ITEMIZED RECEIPT DISTRIBUTION—Continued

Receipt functional category	Receipts	Percentage of all receipts
Loans Obtained .....	1,307,960.00	0.27
Sales of Investments and Assets .....	7,402,058.00	1.54
Other Receipts .....	36,472,598.00	7.58
Total Receipts .....	481,289,983.00	100.00

TABLE 6—ITEMIZED DISBURSEMENT DISTRIBUTION

Disbursement functional category	Disbursements	Percentage of all disbursements
Representational Activities .....	\$106,498,651.00	22.30
Political Activities & Lobbying .....	8,034,914.00	1.68
Contributions, Gifts, & Grants .....	8,655,415.00	1.81
General Overhead .....	76,126,990.00	15.94
Union Administration .....	85,108,151.00	17.82
Benefits .....	37,836,304.00	7.92
Per Capita Tax .....	102,038,579.00	21.36
Strike Benefits .....	3,545,000.00	0.74
Fees, Fines, Assessments, etc. ....	4,203,835.00	0.88
Office & Administrative Expense .....	71,976.00	0.02
Professional Fees .....	1,075.00	0.00
Supplies for Resale .....	749,492.00	0.16
Purchase of Investments & Fixed Assets .....	14,954,159.00	3.13
Loans Made .....	326,659.00	0.07
Repayment of Loans Obtained .....	1,443,492.00	0.30
To Affiliates of Funds Collected on Their Behalf .....	6,957,774.00	1.46
On Behalf of Individual Members .....	6,556,628.00	1.37
Direct Tax .....	14,515,926.00	3.04
Total Disbursements .....	477,625,020.00	100.00

TABLE 7—ITEMIZED ASSET DISTRIBUTION

Asset functional category	Assets	Percentage of all assets
Cash .....	\$218,193.74	57.55
Investments .....	235,122.64	14.25
Treasury Securities .....	120,077.14	1.41
Loans Receivable .....	12,850.12	0.66
Accounts Receivable .....	4,499.69	0.97
Fixed Assets .....	287,842.82	24.37
Other Assets .....	2,975.39	0.79
Total Assets .....	881,561.54	100.00

TABLE 8—ITEMIZED LIABILITY DISTRIBUTION

Liability functional category	Liabilities	Percentage of all liabilities
Accounts Payable .....	\$5,400,228.00	20.06
Loans Payable .....	5,944,284.00	22.08
Mortgages Payable .....	7,249,483.00	26.92
Other Liabilities .....	8,332,886.00	30.95
Total Liabilities .....	26,926,881.00	100.00

The Department can estimate the number of receipts, disbursements, assets, and liabilities itemized on each schedule using the Tier I LM-2 distribution data and the LM-3 itemized transactions data. For example, if the LM-3 filing privilege is revoked, LM-3

filers will itemize approximately 13.71 receipts per year on the Form LM-2. Based on the Tier I LM-2 distribution, .89 (13.71 (total itemized receipts) × 6.51% = .89) of the 13.71 receipts will be itemized on Schedule 16 (“Fees, Fines, Assessments, etc.”). The

Department used the same method to determine the number of itemized transactions on each of the itemization schedules. The results are summarized in Table 9.

It should be noted that the Department assumes that LM-3 filers

will receive dues payments from one employer. Consistent with the reporting requirements adopted in this rule, LM-3 filers will have one itemized dues

receipt. Further, the Department estimates that like Tier I LM-2 filers, non-local LM-3 filers will receive 2.33 per capita receipts. Approximately

7.13% of LM-3 filers are non-locals. Therefore, on average each LM-3 filer will have .02 per capita itemizations.

TABLE 9—LM-3 ITEMIZATION SUMMARY

	Average number of entries
Total Itemized Receipts .....	13.71
Schedule 2: Loans Receivable .....	0.01
Schedule 3: Sale of Investments and Fixed Assets .....	0.21
Schedule 9: Loans Payable .....	0.04
Schedule 14: Dues and Agency Fees .....	1
Schedule 15: Per Capita Tax .....	.02
Schedule 16: Fees, Fines, Assessments, Work Permits .....	0.89
Schedule 17: Sale of Supplies .....	0.02
Schedule 18: Interest .....	0.22
Schedule 19: Dividends .....	0.04
Schedule 20: Rents .....	0.11
Schedule 21: On Behalf of Affiliates for Transmittal to Them .....	0
Schedule 22: From Members for Disbursement on Their Behalf .....	0.20
Schedule 23: Other Receipts .....	1.04
Total Itemized Disbursements .....	13.49
Schedule 24: Representational Activities .....	3.01
Schedule 25: Political Activities and Lobbying .....	0.23
Schedule 26: Contributions, Gifts, and Grants .....	0.24
Schedule 27: General Overhead .....	2.15
Schedule 28: Union Administration .....	2.41
Schedule 29: Benefits .....	1.07
Item 57: Per Capita Tax .....	1.00
Item 58: Strike Benefits .....	0.10
Item 59: Fees, Fines, Assessments, etc. ....	0.12
Item 60: Supplies for Resale .....	0.02
Schedule 4: Purchase of Investments and Fixed Assets .....	0.42
Schedule 2: Loans Made .....	0.01
Schedule 9: Repayment of Loans Obtained .....	0.04
Item 64: To Affiliates of Funds Collected on Their Behalf .....	0
Item 65: On Behalf of Individual Members .....	0.19
Item 66: Direct Taxes .....	0.41
Assets .....	13.93
Item 22: Cash .....	8.02
Schedule 1: Accounts Receivable .....	0.13
Schedule 2: Loans Receivable .....	0.09
Item 25: U.S. Treasury Securities .....	0.20
Schedule 5: Investments .....	1.99
Schedule 6: Fixed Assets .....	3.40
Schedule 7: Other Assets .....	0.11
Liabilities .....	0.38
Schedule 8: Accounts Payable .....	0.08
Schedule 9: Loans Payable .....	0.08
Item 32: Mortgages Payable .....	0.10
Schedule 10: Other Liabilities .....	0.12

The Department estimates that LM-3 filers will expend .25 hours on each schedule identifying those receipts that must be itemized, and .03 hours per column putting together the necessary information and inputting it onto the LM-2. For example, LM-3 filers who have had their filing privilege revoked

will spend .32 hours on recordkeeping and .07 hours on reporting completing the fees, fines, assessment schedule. The average LM-3 filer will itemize .89 fees, fines, assessments, *etc.* on LM-2 schedule 16. The initial search and identification of itemized fees, fines, assessments, *etc.* will take .25 hours.

Once the itemized fees, fines, assessments, *etc.* are identified, the labor organization must identify and enter the source, type, purpose, date, and amount of the fee, fine, assessment, *etc.* onto the Form LM-2, .15 hours or approximately .03 hours per item. The results are summarized in table 10.



Table 10: LM-3 Revocation Burden

Task	Category	Recordkeeping Burden	Reporting Burden	Total Burden
Review of Proposed LM-2 Form and Filing Instructions		0	8.32	8.32
President Review and Sign Off		0	0.17	0.17
Treasurer Review and Sign Off		0	0.17	0.17
Form LM-2 Page 1		0	0.80	0.80
Form LM-2 Page 2		0.33	0.60	0.93
Statement A		0	0.43	0.43
Statement B		0.42	0.48	0.90
Schedule 1: Accounts Receivable Aging Schedule		0.26	0.01	0.27
Schedule 2: Loans Receivable	Receipts/Disbursements	0.26	0.01	0.27
Schedule 3: Sale of Investments and Fixed Assets	Receipts	0.27	0.02	0.30
Schedule 4: Purchase of Investments and Fixed Assets	Disbursements	0.29	0.04	0.33
Schedule 5: Investments		0.42	0.17	0.58
Schedule 6: Fixed Assets		0.53	0.28	0.82
Schedule 7: Other Assets		0.26	0.01	0.27
Schedule 8: Accounts Payable Aging Schedule		0.26	0.01	0.26
Schedule 9: Loans Payable	Receipts/Disbursements	0.27	0.02	0.28
Schedule 10: Other Liabilities		0.26	0.01	0.27
Schedule 11: All Officers and Disbursements to Officers		69.53	2.08	71.61
Schedule 12: Disbursements to Employees		23.48	0.70	24.18
Schedule 13: Membership Status		0	0.25	0.25
Schedule 14: Dues and Agency Fees	Receipts	0.33	0.08	0.42
Schedule 15: Per Capita Tax	Receipts	0.25	0.00	0.25
Schedule 16: Fees, Fines, Assessments, Work Permits	Receipts	0.32	0.07	0.40
Schedule 17: Sale of Supplies	Receipts	0.25	0.00	0.25
Schedule 18: Interest	Receipts	0.27	0.02	0.29
Schedule 19: Dividends	Receipts	0.25	0.00	0.26
Schedule 20: Rents	Receipts	0.26	0.01	0.27
Schedule 21: On Behalf of Affiliates for Transmittal to Them	Receipts	0.25	0.00	0.25
Schedule 22: From Members for Disbursement on Their Behalf	Receipts	0.27	0.02	0.28
Schedule 23: Other Receipts	Receipts	0.34	0.09	0.42
Schedule 24: Representational Activities	Disbursements	0.50	0.25	0.75
Schedule 25: Political Activities and Lobbying	Disbursements	0.27	0.02	0.29
Schedule 26: Contributions, Gifts, and Grants	Disbursements	0.27	0.02	0.29
Schedule 27: General Overhead	Disbursements	0.43	0.18	0.61
Schedule 28: Union Administration	Disbursements	0.45	0.20	0.65
Schedule 29: Benefits	Disbursements	0.34	0.09	0.43
Detailed Summary Schedules 3&4		0.25	0.2	0.45
Detailed Summary Schedules 14-28		0.25	1	1.25
Total Burden		102.40	16.83	119.22

#### 5. All Officers and Disbursement to Officers

There is no recordkeeping burden associated with identifying officers and their salaries. This information is reported on the LM-3 schedule "All Officers and Disbursements to Officers." Labor organizations will have to break down the amount reported in column (E) of LM-3 schedule "All Officers and Disbursements to Officers" between columns (E), (G), and (H) of LM-2 Schedule 11, and report benefits next to each officer's name. Officers will have to estimate the time they spend on representational activities, political and lobbying activities, contributions, general overhead, and union administration.

LM-3 filers who have had their filing privileges revoked and their officers will spend 69.53 hours compiling the information necessary to complete the Form LM-2 Schedule 11. The labor organization will spend .25 hours compiling the records on disbursements and .08 hours per disbursement assigning the disbursements to a particular officer and disbursement category (allowances, official business or other). The LM-3 sample indicated that, on average, an LM-3 filer has 8.31 officers. The Department estimates that each officer will receive one benefit

disbursement and one indirect disbursement for travel or lodging. Based on the LM-3 sample, approximately 43.70% of the officers listed on the LM-3, or 3.47 officers per LM-3 filer, receive allowances and other disbursements. On average, these officers receive \$973.92 in allowances and other disbursements. Unlike the LM-2 analysis above, the Department estimates that the average LM-3 officer disbursement will be \$200. The average disbursement amount was reduced to take into account the smaller size of LM-3 filers. Therefore, the 3.47 officers who receive allowances and other disbursements will receive, on average, 4.87 disbursements for allowances and other disbursements ( $\$973.92/\$200 = 4.87$ ), 1 disbursement for benefits, and 1 indirect disbursement for lodging or travel. The remaining 4.84 officers who do not receive allowances or other disbursements will receive 1 disbursement for benefits and 1 indirect disbursement for lodging or travel. In sum, each LM-3 filer will make 33.51 disbursements to its officers. The labor organization will spend 2.93 hours compiling all disbursements to officers.

In addition to compiling the disbursement data, officers will have to estimate how much time they spent on each of the functional categories: representational activities, political and

lobbying activities, contributions, general overhead, and union administration. In 2003, the Department estimated that officers will spend 1 hour at the beginning of the year reviewing the LM-2 instructions, .5 hours a month dividing up their time, 1 hour at the end of the year checking the distributions. In sum, each officer will spend 8 hours estimating the percentage of time spent on each functional category. If the average LM-3 filer has 8.31 officers, and it takes each officer 8 hours to estimate the percentage of time spent on each functional category, then officers will expend 66.48 hours on recordkeeping to complete Schedule 11.

The labor organization will spend 2.08 hours on reporting. Each officer row on the LM-2 Schedule 11 has 15 separate fillable items. The Department assumes that a labor organization can fill out an item in one minute. Therefore, the labor organization will spend .25 hours filling out each officer row. If the average LM-3 filer has 8.31 officers, and it takes .25 hours to fill out one row, then labor organizations will expend 2.08 hours completing Schedule 11.

#### 6. Disbursements to Employees

There is no recordkeeping burden associated with identifying employees and their salaries. The LM-3 does not

include a separate schedule for reporting disbursements to employees, but LM-3 filers have to track disbursements to employees to complete LM-3 Statement B, item 46. Labor organizations will have to break down the amount reported on LM-3 Statement B, item 46, by employee and type of disbursement (allowance, official business, or other). Additionally, the labor organization will have to report the benefits each employee receives. Employees will have to estimate the time they spend on representational activities, political and lobbying activities, contributions, general overhead, and union administration.

LM-3 filers who have had their filing privileges revoked and their employees will spend 23.48 hours compiling the information necessary to complete the Form LM-2 Schedule 12. The labor organization will spend .25 hours compiling the records on disbursements and .08 hours per disbursement assigning the disbursements to a particular employee and disbursement category (allowances, official business or other).

The Department used the average number of employees listed on LM-2s with between \$250,000 and \$500,000 in annual receipts to estimate the number of employees employed by LM-3 filers. On average, LM-2 filers with between \$250,000 and \$500,000 in annual receipts list 2.79 employees on Schedule 12. The Department estimates that each employee will receive one benefit disbursement and one indirect disbursement for travel or lodging. Approximately 39.82% of the employees listed on LM-2s with between \$250,000 and \$500,000 in annual receipts, or 1.11 employees per LM-2 filer with between \$250,000 and \$500,000 in annual receipts, receive allowances and other disbursements. The Department cannot estimate the number of employee allowances and other disbursements from the LM-3. Therefore, the Department applied the estimated number of officer disbursements, 4.87, to employees. The 1.11 employees who receive allowances and other disbursements will receive, on average, 4.87 disbursements for allowances and other disbursements, 1 disbursement for benefits, and 1 indirect disbursement for lodging or travel. The remaining 1.68 employees who do not receive allowances or other disbursements will receive 1 disbursement for benefits and 1 indirect disbursement for lodging or travel. In sum, each LM-3 filer will make 10.99 disbursements to its employees.

In addition to compiling the disbursement data, employees will have

to estimate how much time they spent on each of the functional categories: representational activities, political and lobbying activities, contributions, general overhead, and union administration. In 2003, the Department estimated that employees will spend 1 hour at the beginning of the year reviewing the LM-2 instructions, .5 hours a month dividing up their time, 1 hour at the end of the year checking the distributions. In sum, each employee will spend 8 hours estimating the percentage of time spent on each functional category. If the average LM-3 filer has 2.79 employees and it takes each employee 8 hours to estimate the percentage of time spent on each functional category, then employees will expend 22.32 hours on recordkeeping to complete Schedule 12.

The labor organization will spend .70 hours on reporting. Each employee row on the LM-2 Schedule 12 has 15 separate fillable items. The Department assumes that a labor organization can fill out an item in one minute. Therefore, the labor organization will spend .25 hours filling out each employee row. If the average LM-3 filer has 2.79 employees, and it takes .25 hours to fill out one row, then labor organizations will expend .70 hours completing Schedule 12.

#### 7. Member Status Schedule

The Department estimates that LM-3 filers who have had their filing privilege revoked will spend .25 hours filling out Schedule 13 ("Membership Status"). All labor organizations already keep track of membership status. Therefore, there is no recordkeeping burden.

Most labor organizations have 3 types of membership: Active, retired, and journeyman. Each membership type will require an independent itemization on Schedule 13. The Department has determined that each itemized membership should require 5 minutes. If there are 3 itemized memberships, then LM-3 filers will expend .25 hours filling out the LM-2.

#### 8. LM-2 Statement A Burden Hours

There is no recordkeeping burden associated with LM-2 Statement A. This information is already provided on the LM-3's Statement A. The LM-3 filer need only copy the information from the LM-3 onto the LM-2. The Department estimates that such copying should take approximately 1 minute per item. Statement A has 26 different items. At one minute each the LM-3 will spend .43 hours filling out Statement A.

#### 9. LM-2 Statement B Burden Hours

The Department estimates that LM-3 filers will expend .42 hours on recordkeeping and .58 hours on reporting to complete LM-2 Statement B. Twenty-two out of the twenty-nine aggregates reported on Statement B either have a corresponding LM-2 itemization schedule or are already reported on the LM-3. The recordkeeping burden associated with these items is either included in the recordkeeping burden for its corresponding schedule or it is included in the LM-3 recordkeeping burden. There is no recordkeeping burden for these items associated with Statement B. The remaining seven items, strike benefits, fees, fines, assessments, etc., supplies for resale, repayment of loans obtained, to affiliates of funds collected on their behalf, on behalf of individual members, and direct taxes, are unique LM-2 functional categories with no corresponding itemization schedules. Using the distributions taken from LM-2s of labor organizations with between \$250,000 and \$500,000 in annual receipts and the LM-3 itemized receipt estimate, the Department has determined that LM-3 filers will have one per capita tax disbursement, .10 strike disbursement, .12 fees, fines, assessment, etc. disbursement, .02 supplies for resale disbursement, zero disbursements to affiliates on their behalf, .19 disbursement on members behalf, and .41 disbursement for direct taxes. Five out of the six items will have some amount of money reported in the item, approximately one transaction per item. The LM-3 filers will spend 5 minutes on recordkeeping per transaction or .42 hours total.

The LM-3 filers will copy twenty-two of the twenty-nine aggregates from the other itemization schedules on their LM-3. As discussed above, the remaining five items will have to be compiled by the LM-3 filer. LM-3 filers will spend one minute per item filling out Statement B, or .48 hours in total.

#### 10. Detailed Summary Schedules 3 and 4

The Department estimates that LM-3 filers who have had their filing privilege revoked will spend .25 hours on recordkeeping and .2 hours on reporting to complete summary schedules 3 and 4. These summary schedules do not include any new information. They merely summarize the information itemized on Itemization Schedules 3 and 4. LM-3 filers will spend .25 minutes compiling the information from the itemization schedules for reporting here.

Once the information is compiled it must be transcribed onto the summary schedules. There are six items per summary schedule. LM-3 filers can transcribe the information into each item in 1 minute, .2 hours to completely transcribe all the information onto summary schedules 3 and 4.

#### 11. Detailed Summary Schedules 14 through 28

The Department estimates that LM-3 filers who have had their filing privilege revoked will spend .25 hours on recordkeeping and 1 hour on reporting to complete summary schedules 14 through 28. These summary schedules do not include any new information. They merely summarize the information itemized on Itemization Schedules 14 through 28. LM-3 filers will spend .25 minutes compiling the information from the itemization schedules for reporting here.

Once the information is compiled it must be transcribed onto the summary schedules. There are four items per summary schedule. LM-3 filers should

be able to transcribe the information into each item in 1 minute. There are 15 separate summary schedules and each has 4 items that must be filled.

Therefore, LM-3 filers will spend 1 hour (15 itemization schedules  $\times$  4 items per schedule  $\times$  1 minute per item = 60 minutes) transcribing all the information onto summary schedules 14 through 28.

#### 12. Compensation Cost

The Department assumes that, on average, the completion by a labor organization with between \$10,000 and \$250,000 in annual receipts of Form LM-2 will involve an accountant/auditor, bookkeeper/clerk, labor organization president and labor organization treasurer. Based on the 2007 BLS wage data, accountants earn \$30.37 per hour, computer engineers earn \$41.18 per hour, and bookkeepers/clerks earn \$15.76 per hour.<sup>33</sup> BLS estimates that the cost of an employee's total compensation is approximately 30.2% higher than the employee's

wages alone. Therefore, the Department adjusted upward each of the BLS salaries to include the additional 30.2% attributed to benefits to estimate the total compensation cost for each of the individuals involved in completing the Form LM-2.

The Department estimated the average annual salaries of labor organization officers needed to complete tasks for compliance with the LM-3 revocation—the president and treasurer—from responses to salary inquiries contained in the sample of 222 labor organizations that filed a Form LM-3 in 2006. The Department assumed that LM-3 part-time officers work approximately 200 hours per year. These average annual salary figures were then adjusted to include the additional 30.2% attributed to benefits to reflect total compensation cost for each officer. Accordingly, the Department calculated as total hourly compensation cost \$21.68 per hour for labor organization president and \$25.08 per hour for labor organization treasurer.

TABLE 11—COMPENSATION COST TABLE

Title	Salary—hourly	Salary—yearly	Compensation—cost—hourly
Accountants/Auditors .....	\$30.37	\$63,180.00	\$43.51
Bookkeepers/Clerks .....	15.76	32,780.00	22.58
President .....	15.13	3,026.45	21.68
Treasurer .....	17.51	3,501.73	25.08

The Department estimated the percentage of time the accountant, bookkeeper, president, and treasurer would spend completing the LM-2. These percentages were used to

calculate a weighted average compensation cost, \$25.40.

#### 13. Conclusion

The Department estimates that Form LM-2 filers with total annual receipts

under \$250,000 (LM-3 Filers that have had the privileged revoked) will spend 102.40 hours fulfilling recordkeeping requirements and 16.83 hours completing the form, which corresponds to \$3,028.23 in costs.

<sup>33</sup> The wage and salary data is based on information contained in Bureau of Labor Statistics, Occupational Employment Statistics Survey, 2007.

Table 12: Reporting and Recordkeeping Burden Hours and Costs for LM-3 Filers Who Have Had Their Privilege Revoked

Form	Number of Responses	Reporting		Recordkeeping		Total		Total Burden		Total		Average Cost	
		Hours Per Respondent	Total Hours	Hours Per Respondent	Total Hours	Hours Per Respondent	Total Hours	Hours Per Respondent	Total Hours	Burden Hours	Per Respondent	Per Respondent	Total Cost
Current Form LM-3	96	52.00	4,992.00	64.00	6,144.00	116.00	11,136.00			11,136.00	\$1,404.00		\$134,784.00
Revised Form LM-2	96	16.83	1,615.32	102.40	9,829.97	119.22	11,445.30			11,445.30	\$3,028.23		\$290,710.27

## 14. Annualized Federal Costs

The estimated annualized Federal cost of this rule is \$231,924.52. This represents estimated operational

expenses such as computer programming to amend the Form LM-2 and staff time to draft documents and review materials in cases where a labor

organization's privilege to file the Form LM-3 is revoked.

### Final Regulatory Flexibility Analysis

The Regulatory Flexibility Act of 1980, 5 U.S.C. 601 *et seq.*, requires agencies to prepare regulatory flexibility analyses, and to develop alternatives wherever possible, in drafting regulations that will have a significant economic impact on a substantial number of small entities. The Department certifies that the final rule will not have a significant economic impact on a substantial number of small entities. To evaluate whether this final rule would have a significant economic impact on a substantial number of small entities, the Department conducted a Final Regulatory Flexibility Analysis ("FRFA") as a component of this final rule.

In the 2003 Form LM-2 rule, the Department's regulatory flexibility analysis utilized the Small Business Administration's ("SBA") "small business" standard for "Labor Unions and Similar Labor Organizations." Specifically, the Department used the \$5 million standard established in 2000 (as updated in 2005 to \$6.5 million) for purposes of its regulatory flexibility analyses. See 65 FR 30836 (May 15, 2000); 70 FR 72577 (Dec. 6, 2005). This same standard, which has also been used in rulemakings involving the Form T-1, 73 FR 57412 (October 2, 2008), has been used in developing the final regulatory flexibility analysis for this rule.

The Department recognizes that the SBA has not established fixed, financial thresholds for "organizations," as distinct from other entities. See *A Guide for Government Agencies: How to Comply with the Regulatory Flexibility Act*, Office of Advocacy, U.S. Small Business Administration at 12-13, available at <http://www.sba.gov>. The Department further recognizes that under SBA guidelines, the relationship of an entity to a larger entity with greater receipts is a factor to be considered in determining the necessity of conducting a regulatory flexibility analysis. Thus, the affiliation between a local labor organization and a national or international labor organization, a widespread practice among labor organizations subject to the LMRDA, may have an impact on the number of organizations that should be counted as "small organizations" under section 601(4) of the RFA, 5 U.S.C. 601(4).<sup>34</sup> However, for purposes of analysis here, and for ready comparison with the RFA analysis in its earlier Form LM-2

rulemaking, the Department has used the \$6.5 million receipts test for "small businesses." rather than the "independently owned and operated and not dominant" test for "small organizations." Application of the latter test likely would reduce the number of labor organizations that would be counted as small entities under the RFA. It is the Department's view, however, that it would be inappropriate, given the past rulemaking concerning the Form T-1 and the Form LM-2, to depart from the \$6.5 million receipts standard in preparing this final regulatory flexibility analysis. Accordingly, the following analysis assesses the impact of these regulations on small entities as defined by the applicable SBA size standards.

All numbers used in this analysis are based on 2006 data taken from the OLMS electronic labor organization reporting ("e.LORS") database, which includes all records of labor organizations that have filed LMRDA reports with the Department.

#### *A. Statement of the Need for, and Objectives of, the Final Rule*

The following is a summary of the need for and objectives of the final rule. A more complete discussion is found earlier in this preamble.

The objective of this final rule is to increase the transparency of financial reporting by revising the current LMRDA disclosure Form LM-2 to enable workers to be responsible, informed, and effective participants in the governance of their labor organizations; discourage embezzlement and financial mismanagement; prevent the circumvention or evasion of the statutory reporting requirements; and strengthen the effective and efficient enforcement of the Act by the Department. Form LM-2 is filed by the largest reporting labor organizations, *i.e.*, those with \$250,000 or more in total annual receipts.

The revisions to the Form LM-2 made by the Department in 2003 have helped to fulfill the mandate of full reporting set forth in the LMRDA. However, based upon the Department's experience since 2003, and after reviewing data from reports filed on the revised form, the Department has determined that further enhancements to the Form LM-2 are necessary. These enhancements will ensure that information is reported in such a way as to meet the objectives of the LMRDA by providing labor organization members with useful data that will enable them to be responsible and effective participants in the democratic governance of their labor organizations. The changes are designed

to provide members of labor organizations with additional and more detailed information about the financial activities of their labor organization that is not currently available through the Form LM-2 reporting.

The enhancements provide additional information in Schedule 3 (Sale of Investments and Fixed Assets) and Schedule 4 (Purchase of Investments and Fixed Assets) that will allow verification that these transactions are performed at arm's length and without conflicts of interest. Schedules 11 and 12 will be revised to include the value of benefits paid to and on behalf of officers and employees. This will provide a more accurate picture of total compensation received by these labor organization officials. In addition, the changes will require the reporting in Schedules 11 and 12 of travel reimbursements indirectly paid these officials. This change will provide more accurate information on travel disbursements made to them by their labor organizations. The enhancements also include additional schedules corresponding to categories of receipts, which will provide additional information, by receipt category, of aggregated receipts of \$5,000 or more. This change is consistent with the information currently provided on disbursements.

The Department's enforcement experience has shown that the failure of small labor organizations to file the annual Form LM-3 on time and the filing of reports with material deficiencies are often indicators of larger problems associated with the ways in which such organizations maintain their financial records, and may be an indicator of more serious financial mismanagement. The Department's enforcement experience reveals various reasons for delinquent filings, including a labor organization's failure to maintain the records required by the LMRDA; inadequate office procedures; frequent turnover of labor organization officials, who often serve on a part-time basis; uncertainty of first-time officers about their reporting responsibilities under the LMRDA and their inexperience with bookkeeping, recordkeeping, or both; an inattention generally to "paperwork;" overworked or under-trained officers; an officer's unwillingness to question or report apparent irregularities due to the officer's own inexperience or concern about the repercussions of reporting such matters; or a conscious effort to hide embezzlement or the misappropriation of funds by the officers, other members of the organization, or third parties associated

<sup>34</sup> Section 601(4) provides in part: "the term 'small organization' means any not-for-profit enterprise which is independently owned and operated and is not dominant in its field. \* \* \*

with the labor organization. Many of these causes of delinquency, including pre-existing bookkeeping problems, inattention, overwork, insufficient training, and an unwillingness to confront or report financial irregularities, demonstrate that the labor organization members and the public would benefit from a more detailed accounting of the organization's financial conditions and operations. Moreover, OLMS experience indicates that labor organizations that are repeatedly delinquent are more likely than other labor organizations to suffer embezzlement, or related crime. Many of the reasons that contribute to delinquent filings also result in the filing of reports that omit or misstate material information about the labor organization's finances. The members of a labor organization that fails to correct a material reporting deficiency after being notified by the Department and being given an opportunity to address the error would benefit from the increased transparency of the Form LM-2.

As explained previously in the preamble, additional reporting by labor organizations is necessary to ensure, as intended by Congress, the full and comprehensive reporting of a labor organization's financial condition and operations, including a full accounting to members from whose work the payments were earned. 67 FR 79282-83. This final rule will prevent circumvention and evasion of these reporting requirements by providing members of labor organizations with financial information concerning their labor organization.

The legal authority for the final rule is provided by sections 201 and 208 of the LMRDA, 29 U.S.C. 431, 438. Section 201 requires labor organizations to file annual financial reports and to disclose certain financial information, including all assets, receipts, liabilities, and disbursements of the labor organization. Section 208 provides that the Secretary of Labor shall have authority to issue, amend, and rescind rules and regulations prescribing the form and publication of reports required to be filed under Title II of the Act, including rules prescribing reports concerning trusts in which a labor organization is interested, and such other reasonable rules and regulations as she may find necessary to prevent the circumvention or evasion of the reporting requirements. Section 208 also authorizes the Secretary to establish "simplified reports for labor organizations and employers for whom [s]he finds by virtue of their size a detailed report would be unduly

burdensome." 29 U.S.C. 438. Section 208 authorizes the Secretary to revoke this privilege for any labor organization or employer if the Secretary determines, after such investigation as she deems proper and due notice and opportunity for a hearing, that the purposes of section 208 would be served by revocation.

#### *B. Summary of the Significant Issues Raised by Public Comments*

The Department's NPRM in this rulemaking contained an Initial Regulatory Flexibility Analysis and Paperwork Reduction Act analyses. As noted above in the introduction to the Department's PRA analysis, because of the overlapping nature of costs for the purposes of both the RFA and PRA analyses, the Department construed all comments received related to the Department's assessment of costs to the regulated community as comments addressing both the PRA and the RFA analyses. The Department's discussion of significant issues raised in comments related to cost estimates, the agency's response thereto, and adjustments made to the methodology as a result of comments is found in the PRA section of this preamble. *See, supra*, Paperwork Reduction Act, Sec. A. As explained in that section, based upon careful consideration of the comments, the Department made adjustments to the methodology employed to assess costs, and those adjustments resulted in modifications to conclusions on costs, which have been employed in the following final RFA analysis. Thus, the statutory requirement that the Department provide in its final RFA analysis "a summary of the significant issues raised by the public comments in response to the initial regulatory flexibility analysis, a summary of the assessment of the agency of such issues, and a statement of any changes made in the proposed rule as a result of such comments[.]" 5 U.S.C. 604(a)(2), has been satisfied. Moreover, the Department received no comments addressing or challenging the specific conclusion in the NPRM that the rule does not have a significant economic impact on a substantial number of small entities.

#### *C. Number of Small Entities Covered Under the Rule*

The primary impact of this final rule will be on those labor organizations that have \$250,000 or more in annual receipts. There are approximately 4,571 labor organizations of this size that are required to file Form LM-2 reports under the LMRDA. *See* Table 13 below. The Department estimates that 4,220 of

these labor organizations, or 92.32%, are considered small under the current SBA standard (annual receipts less than \$6.5 million). These labor organizations have annual average receipts of \$1.30 million.<sup>35</sup> *See* Table 13. The Department estimates that about 96 labor organizations with annual receipts of less than \$250,000 will be affected by the final rule. These 96 labor organizations have annual average receipts of \$68,468. *See* Table 13. Although these estimates may not be predictive of the exact number of small labor organizations that will be impacted by this final rule in the future, the Department believes these estimates to be sound and they are derived from the best available information.

#### *D. Reporting, Recording and Other Compliance Requirements of the Rule*<sup>36</sup>

This final rule is not expected to have a significant economic impact on a substantial number of small entities. The LMRDA is primarily a reporting and disclosure statute. Accordingly, the primary economic impact will be the cost of obtaining and reporting required information.

For the estimated 4,220 Form LM-2 filers with between \$250,000 and \$6,500,000 in annual receipts, the estimated average annual reporting and recordkeeping burden for the current Form LM-2 is \$16,328.22 or 1.26% of their average annual receipts. *See* Table 13, which provides a more complete list of the burden estimates.<sup>37</sup> The average additional first year cost (including first year non-recurring implementation costs) to these organizations is estimated at \$4,717.39, or .36% of average annual receipts. *Id.* The average total first year cost of the revised Form LM-2 on these labor organizations is estimated at \$21,045.61, or 1.62% of total annual receipts. *Id.* The Department views as unlikely that the smallest subset of these labor organizations (those with between

<sup>35</sup> In the 2003 Form LM-2 rule, the Department estimated the burden for each of three categories of reporting labor organizations as measured by their range of annual receipts: Tier I (\$250,000 to less than \$500,000); Tier II (\$500,000 to less than \$500,000,000) and Tier III (\$500,000,000 or more).

<sup>36</sup> The estimated burden on labor organizations is discussed in detail in the previous section concerning the Paperwork Reduction Act. The figures discussed above are derived from the figures explained in that section.

<sup>37</sup> The estimates reported in this paragraph do not include labor organizations that voluntarily filed the Form LM-2 nor an estimate of the number of labor organizations (with annual receipts less than \$250,000) that would have to file the Form LM-2 under the proposed Form LM-3 revocation procedures. The number of such labor organizations (158) represents only a small fraction of the total number of reporting labor organizations and thus their inclusion would not have a material effect on the burden estimates.

\$250,000 and \$499,999 in annual receipts) would incur many of the costs incurred by the typical Form LM-2 filer (those with receipts between \$500,000 and \$6.5 million). The labor organizations with the smallest annual receipts are likely to have less complicated accounts covering fewer transactions than the typical, larger Form LM-2 filer. However, to assess the "maximum" or "worst-case" impact on this subset of labor organizations, the Department considered the unlikely event that the labor organizations in this subset could incur the same compliance burden as the average for labor organizations with annual receipts of \$500,000 to \$49.9 million. Under this unlikely scenario, the total additional cost of the final rule on such labor organizations is estimated at \$4,891.21 in the first year, or .38% of the annual

receipts of all organizations with receipts of \$250,000 to \$6.5 million, and \$462.88 in the second year, or .04% of annual receipts. *Id.* For a small labor organization with \$250,000 to \$499,999 in annual receipts, the estimated maximum additional cost of the final rule would be 1.26% of receipts in the first year and .12% in the second year.<sup>38</sup> *Id.*

The average annual reporting and recordkeeping burden for the current Form LM-3 is estimated at \$1,404.00 or 2.08% of average annual receipts for Form LM-3 filers. See Table 1. The Department assumes that Form LM-3 filers will spend approximately \$23.13 per hour to complete the form. See Table 11. The additional cost of filing a Form LM-2 is \$3,028.23 or 4.49% of average annual receipts for Form LM-3 filers. The Department estimates that on average, 96 Form LM-3 filers annually

will have their Form LM-3 filing privilege revoked and thus will incur this additional burden. The Department arrived at this figure by examining the number of deficiency and delinquency cases processed by the Department. In the latest fiscal year, the Department processed 684 deficiency cases for Form LM-3 filers and 1,187 cases for delinquent Form LM-3 filers. The Department assumes that it will examine one half of the deficiency and delinquency cases for possible revocation (935.5 per year) and that 10% of the cases examined will ultimately lead to revocation of the Form LM-3 filing privilege (93.55). Further the Department assumes that in another 2 cases per year it will find "other circumstances exist that warrant revocation," for a total of 96 revocations per year (rounded up).

TABLE 13—SUMMARY OF REGULATORY FLEXIBILITY ANALYSIS<sup>39</sup>

For unions that meet the SBA small entities standard	Total burden hours per respondent	Total cost per respondent
Weighted Average Cost of Current Form LM-2 .....	507.62	\$16,382.22
Percentage of Average Annual Receipts .....	n.a.	1.26%
Average Cost of Current Form LM-3 .....	116.00	1,404.00
Percentage of Average Annual Receipts .....	n.a.	2.08%
Weighted Average First Year Cost of Revised Form LM-2 .....	653.86	21,045.61
Percent of Average Annual Receipts .....	n.a.	1.62%
Weighted Average Second Year Cost .....	520.36	16,748.65
Percent of Average Annual Receipts .....	n.a.	1.29%
Weighted Average Increase in Cost of Final Rule, First Year .....	146.56	4,717.39
Percent of Average Annual Receipts .....	n.a.	0.36%
Weighted Average Increase in Cost of Final Rule, Second Year .....	13.06	420.44
Percent of Average Annual Receipts .....	n.a.	0.03%
Maximum First Year Cost of Revised Form LM-2 for Unions with \$250,000 to \$499,999 in Annual Receipts ....	659.26	19,677.27
Percentage of Average Annual Receipts .....	n.a.	5.47%
Maximum Second Year Cost .....	521.68	15,570.78
Percentage of Average Annual Receipts .....	n.a.	4.33%
Maximum Increase in Cost of Final Rule, First Year .....	151.96	4,891.21
Percent of Annual Receipts for \$250,000 to \$499,999 Union .....	n.a.	1.26%
Percent of Annual Receipts for \$500,000 to \$6,500,000 Union .....	n.a.	0.29%
Percent of Annual Receipts for \$250K to \$6.5M Union .....	n.a.	0.38%
Maximum Increase in Cost of Final Rule, Second Year .....	14.38	462.88
Percent of Annual Receipts for \$250,000 to \$499,999 Union .....	n.a.	0.12%
Percent of Annual Receipts for \$500,000 to \$6,500,000 Union .....	n.a.	0.03%
Percent of Annual Receipts for \$250K to \$6.5M Union .....	n.a.	0.04%
Average Cost of Revised Form LM-2 .....	119.22	3,028.23
Union with between \$10K and \$249,999 in Annual Receipts .....	n.a.	4.49%
Total 2006 Filers between \$250K & \$6.5M .....		4,220
Total 2006 Filers between \$250K & \$499,999 .....		1,325
Total 2006 Filers between \$500K & \$6.5 .....		2,895
Total 2006 Filers between \$500K & \$49.9M .....		3,194
Number of Form LM-2 Filers with Annual Receipts between \$250K & \$2M .....		3,401
Total 2006 Form LM-3 Filers .....		10,977
Total 2006 Form LM-2 Filers .....		4,571
Total 2006 Union Filers .....		23,924
Percentage of All Union Filers that File Form LM-2 .....		19.11%
Percentage of all Union Filers with Annual Receipts between \$250K & \$6.5M .....		18.1%
Percentage of Union Filers with Annual Receipts between \$250K & \$499,999 .....		5.5%
Percentage of Form LM-2 Filers with Annual Receipts between \$250K & \$6.5M .....		92.32%

<sup>38</sup> The several magnitude difference in percentages is accountable to the much smaller number of labor organizations with \$250,000 to \$499,999 in annual receipts (1,325) compared to the number of labor organizations with \$500,000 to \$6.5

million in annual receipts (2,895) and the three and one half-fold difference in average receipts between labor organizations with \$250,000 to \$499,999 in annual receipts and labor organizations with \$500,000 to \$6.5 million in annual receipts.

<sup>39</sup> Note: Some of the figures used in this table and other figures mentioned in this document may not add due to rounding.



Percentage between \$250K & \$499,999 .....	31.40%
Percentage between \$500K & \$6.5M .....	68.60%
Percentage of Form LM-3 Filers that will File Form LM-2 .....	.87%
2006 Average Annual Receipts for Unions between \$250K & \$6.5M .....	\$1,296,219.27
2006 Average Annual Receipts for Unions between \$250K & \$499,999 .....	\$359,925.03
2006 Average Annual Receipts for Unions between \$500K & \$6.5M .....	\$1,724,895.80
2006 Average Annual Receipts for Unions between \$10K and \$249,999 .....	\$67,468.14

OLMS will update the e.LORS system to coincide with all changes embodied in this final rule. OLMS will provide compliance assistance for any questions or difficulties that may arise from using the reporting software. A help desk is staffed during normal business hours and can be reached by telephone toll free at 1-866-401-1109.

The use of electronic forms makes it possible to download information from previously filed reports directly into the form; enables officer and employee information to be imported onto the form; makes it easier to enter information; and automatically performs calculations and checks for typographical and mathematical errors and other discrepancies, which reduces the likelihood of having to file an amended report. The error summaries provided by the software, combined with the speed and ease of electronic filing, will also make it easier for both the reporting labor organization and OLMS to identify errors in both current and previously filed reports and to file amended reports to correct them.

As discussed previously in the preamble, labor organizations that are required to file a Form LM-2 because their Form LM-3 filing privilege has been revoked are not required to comply with the electronic submission requirement.

#### *E. Description of the Steps the Agency Has Taken To Minimize the Economic Impact on Small Entities*

The Department considered a number of alternatives to the final rule that could minimize the economic impact on small entities. One alternative would be not to change the existing Form LM-2. This alternative was rejected because OLMS experience demonstrates that the goals of the Act are not being fully met. As explained further in the preamble, members of labor organizations cannot accurately determine from the current Form LM-2 important information regarding their union's finances, including the parties to whom it sells, and from whom it purchases, investments and fixed assets; the identity of parties from whom the union receives major amounts of funds; and the benefits and indirect disbursements received by officials and employees of the labor organization. Members need this information to make informed

decisions on the governance of their labor organizations.

Another alternative would be to limit the new reporting requirements to national and international parent labor organizations. However, the Department has concluded that such a limitation would eliminate the availability of meaningful information from local and intermediate labor organizations, which may have far greater impact on and relevance to members of labor organizations, particularly since such lower levels of labor organizations generally set and collect dues and provide representational and other services for their members. Such a limitation would reduce the utility of the information to a significant number of members. Of the 4,571 labor organizations that are required to file Form LM-2, just 101 are national or international labor organizations. Requiring only national and international organizations to file more detailed reports would not provide any deterrent to fraud and embezzlement by local and intermediate body officials nor would it increase transparency in local and intermediate bodies.

Another alternative would be to phase-in the effective date for the Form LM-2 changes and provide smaller Form LM-2 filers with additional lead time to modify their recordkeeping systems to comply with the new reporting requirements. The Department has concluded that a three-month period for all Form LM-2 filers to adapt to the new reporting requirements should provide sufficient time to make the necessary adjustments. OLMS also plans to provide compliance assistance to any labor organization that requests it.

A review of the revisions was undertaken to reduce paperwork burden for all Form LM-2 filers and an effort was made during the review to identify ways to reduce the impact on small entities. The Department concludes that it has minimized the economic impact of the form revision on small labor organizations to the extent possible, while recognizing workers' and the Department's need for information to protect the rights of members of labor organizations under the LMRDA.

#### *F. Conclusion*

The Regulatory Flexibility Act does not define either "significant economic impact" or "substantial" as it relates to the number of regulated entities. 5 U.S.C. 601. In the absence of specific definitions, "what is 'significant' or 'substantial' will vary depending on the problem that needs to be addressed, the rule's requirements, and the preliminary assessment of the rule's impact." *A Guide for Government Agencies, supra*, at 17. As to economic impact, one important indicator is the cost of compliance in relation to revenue of the entity. *Id.*

As noted above, the final rule will apply to 4,220 Form LM-2 filers and approximately 96 Form LM-3 filers that meet the SBA standard for small entities, about 18% of all labor organizations that must file an annual financial report under the LMRDA. Further, the Department estimates that just 1,325 labor organizations with annual receipts from \$250,000 to \$499,999, or 5.5% of all labor organizations covered by the LMRDA, would be affected by this rule. Even less (5.5% of the total) would incur the maximum additional costs of the final rule described above. Finally, the Department estimates that approximately 96 Form LM-3 filers, or .87% of all Form LM-3 labor organizations covered by the LMRDA, would be affected by this rule.

For the estimated 4,220 Form LM-2 filers with between \$250,000 and \$6,500,000 in annual receipts, the estimated average annual reporting and recordkeeping burden for the current Form LM-2 is \$16,328.22 or 1.26% of their average annual receipts. The average additional first year cost (including first year non-recurring implementation costs) to these organizations is estimated at less than \$4,717.39, or 0.36% of average annual receipts. The average total first year cost of the revised Form LM-2 on these labor organizations is estimated at \$21,045.61, or 1.62% of total annual receipts. The Department believes that it is unlikely that the smallest subset of these labor organizations (those with between \$250,000 and \$499,999 in annual receipts) would incur many of the costs incurred by the typical Form LM-2 filer (those with receipts between \$500,000

and \$6.5 million). Under this “worst case” scenario for these organizations, the total additional cost of the final rule on such labor organizations is estimated at \$4,891.21 in the first year, or 0.38% of the annual receipts of all organizations with receipts of \$250,000 to \$6.5 million, and \$462.88 in the second year, or .04% of annual receipts.

The average annual reporting and recordkeeping burden for the current Form LM-3 is estimated at \$1,404.00 or 2.08% of average annual receipts for Form LM-3 filers. For the estimated 96 Form LM-3 filers that would have their privilege to file Form LM-3 revoked (all of which meet the SBA standard for small entities), the additional cost of filing a Form LM-2 will be \$3,028.23 or 4.49% of average annual receipts.

Given the relatively small costs of compliance in relation to the revenues of the affected labor organizations, the Department concludes that the economic impact of this rule is not significant. As to the number of labor organizations affected by this rule, the Department has determined by examining e.LORS data that in 2006, the Department received 4,228 Form LM-2s from labor organizations with receipts between \$250,000 and \$6,500,000, or just 17.6% of the 24,065 labor organizations that must file any of the annual financial reports required under the LMRDA (Forms LM-2, LM-3, or LM-4). The Department concludes that the rule does not impact a substantial number of small entities. Therefore, under 5 U.S.C. 605, the Department certifies that the final rule will not have a significant economic impact on a substantial number of small entities.

#### **Executive Order 13045 (Protection of Children From Environmental Health Risks and Safety Risks)**

In accordance with Executive Order 13045, the Department has evaluated the environmental safety and health effects of the final rule on children. The Department has determined that the final rule will have no effect on children.

#### **Executive Order 13175 (Consultation and Coordination With Indian Tribal Governments)**

The Department has reviewed this final rule in accordance with Executive Order 13175, and has determined that it does not have “tribal implications.” The final rule does not “have substantial direct effects on one or more Indian tribes, on the relationship between the Federal government and Indian tribes, or on the distribution of power and responsibilities between the Federal government and Indian tribes.”

#### **Executive Order 12630 (Governmental Actions and Interference With Constitutionally Protected Property Rights)**

This final rule is not subject to Executive Order 12630, Governmental Actions and Interference with Constitutionally Protected Property Rights, because it does not involve implementation of a policy with takings implications.

#### **Executive Order 12988 (Civil Justice Reform)**

This final rule has been drafted and reviewed in accordance with Executive Order 12988, Civil Justice Reform, and will not unduly burden the federal court system. The final rule has been written so as to minimize litigation and provide a clear legal standard for affected conduct, and has been reviewed carefully to eliminate drafting errors and ambiguities.

#### **Environmental Impact Assessment**

The Department has reviewed the final rule in accordance with the requirements of the National Environmental Policy Act (“NEPA”) of 1969 (42 U.S.C. 4321 *et seq.*), the regulations of the Council on Environmental Quality (40 U.S.C. part 1500), and the Department’s NEPA procedures (29 CFR part 11). The final rule will not have a significant impact on the quality of the human environment, and, thus, the Department has not conducted an environmental assessment or an environmental impact statement.

#### **Executive Order 13211 (Actions Concerning Regulations That Significantly Affect Energy Supply, Distribution, or Use)**

This final rule is not subject to Executive Order 13211, because it will not have a significant adverse effect on the supply, distribution, or use of energy.

#### **Electronic Filing of Forms and Availability of Collected Data**

Appropriate information technology is used to reduce burden and improve efficiency and responsiveness. The current forms can be downloaded from the OLMS Web site. OLMS has also implemented a system to require Form LM-2 filers and permit Form LM-3 and Form LM-4 filers to submit forms electronically with digital signatures. Labor organizations are currently required to pay a minimal fee to obtain electronic signature capability for the two officers who sign the form. These digital signatures ensure the authenticity of the reports. Information

about this system can be obtained on the OLMS Web site at <http://www.olms.dol.gov>.

The OLMS Online Public Disclosure Room is available for public use at <http://www.unionreports.gov>. The site contains a copy of each labor organization’s annual financial report for reporting year 2000 and thereafter as well as an indexed computer database on the information in each report that is searchable through the Internet.

OLMS includes e.LORS information in its outreach program, including compliance assistance information on the OLMS Web site, individual guidance provided through responses to e-mail, written, or telephone inquiries, and formal group sessions conducted for labor organization officials regarding compliance.

#### **List of Subjects in 29 CFR Part 403**

Labor unions, Reporting and recordkeeping requirements.

#### **Text of Final Rule**

■ In consideration of the foregoing, the Department amends part 403 of 29 CFR Chapter IV as set forth below:

#### **PART 403—LABOR ORGANIZATION ANNUAL FINANCIAL REPORTS**

■ 1. The authority citation for Part 403 is revised to read as follows:

**Authority:** Secs. 202, 207, 208, 73 Stat. 525, 529 (29 U.S.C. 432, 437, 438); Secretary’s Order No. 4–2007, May 2, 2007, 72 FR 26159.

■ 2. Amend 29 CFR 403.4 by:

- a. Revising paragraph 403.4(a)(1) to read as set forth below;
- b. Redesignating paragraph (b) as paragraph (f).
- c. Adding new paragraphs (b), (c), (d), and (e) to read as set forth below.

#### **§ 403.4 Simplified annual reports for smaller labor organizations.**

(a)(1) If a labor organization, not in trusteeship, has gross annual receipts totaling less than \$250,000 for its fiscal year, it may elect, subject to revocation of the privilege as provided in section 208 of the LMRDA, to file the annual financial report called for in section 201(b) of the LMRDA and § 403.3 of this part on United States Department of Labor Form LM-3 entitled “Labor Organization Annual Report,” in accordance with the instructions accompanying such form and constituting a part thereof.

\* \* \* \* \*

(b) The Secretary may revoke a labor organization’s privilege to file the Form LM-3 simplified annual report described in § 403.4(a)(1) and require

the labor organization to file the Form LM-2 as provided in § 403.3, if the following conditions are met:

(1) The Secretary has provided notice to the labor organization that revocation is possible if conditions warranting revocation are not remedied;

(2) The Secretary has undertaken such investigation as the Secretary deems proper revealing:

(i) The date the labor organization's Form LM-3 was due has passed and no Form LM-3 has been received; or

(ii) The labor organization filed the Form LM-3 with a material deficiency and failed to remedy this deficiency after notification by the Secretary that the report was deficient; or

(iii) Other circumstances exist that warrant revocation of the labor organization's privilege to file the Form LM-3.

(3) The Secretary has provided notice to the labor organization of a proposed decision to revoke the filing privilege, the reason for such revocation, and an opportunity for the labor organization to submit in writing a position statement with relevant factual information and argument regarding:

(i) The existence of the delinquency or the deficiency (including whether a deficiency is material) or other circumstances alleged in the notice;

(ii) The reason for the delinquency, deficiency or other cited circumstance and whether it was caused by factors reasonably outside the control of the labor organization; and

(iii) Any other factors, including those in mitigation, the Secretary should consider in making a determination regarding whether the labor organization's privilege to file the Form LM-3 should be revoked.

(4) The Secretary (or a designee who has not participated in the investigation), after review of all the information collected and provided, shall issue a determination in writing to the labor organization. If the Secretary determines that the privilege shall be revoked, the Secretary will inform the labor organization of the reasons for the determination and order it to file the Form LM-2 for such reporting periods as the Secretary finds appropriate.

(c) A labor organization that receives a notice as set forth in § 403.4(b)(3) must submit its written statement of position and any supporting facts, evidence, and argument by mail, hand delivery, or by alternative means specified in the notice to the Office of Labor-Management Standards (OLMS) at the address provided in the notice within 30 days after the date of the letter proposing revocation. If the 30th day falls on a Saturday, Sunday, or Federal holiday,

the submission will be timely if received by OLMS on the first business day after the 30th day. Absent a timely submission to OLMS, the proposed revocation shall take effect automatically unless the Secretary in his or her discretion determines otherwise.

(d) The Secretary's determination shall be the Department's final agency action on the revocation.

(e) For purposes of this section, a deficiency is "material" if in the light of surrounding circumstances the inclusion or correction of the item in the report is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced.

Signed in Washington, DC, this 8th day of January 2009.

**Don Todd,**

*Deputy Assistant Secretary for Labor-Management Programs.*

### Appendix

**Note:** This appendix, which will not appear in the Code of Federal Regulations, contains the revised Form LM-2 and the revised instructions to that form. The appendix also contains the revised instructions to the Form LM-3. The form itself is not included because no changes have been made to the current version.

**BILLING CODE 4510-CM-P**

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
Washington, DC 20210

**FORM LM-2 LABOR ORGANIZATION ANNUAL REPORT**

Form Approved  
Office of Management and Budget  
No. 0000-0000  
Expires: 00-00-0000

**MUST BE USED BY LABOR ORGANIZATIONS WITH \$250,000 OR MORE IN TOTAL ANNUAL RECEIPTS AND LABOR ORGANIZATIONS IN TRUSTEESHIP**

This report is mandatory under P.L. 86-257, as amended. Failure to comply may result in criminal prosecution, fines, or civil penalties as provided by 29 U.S.C. 439 or 440.

READ THE INSTRUCTIONS CAREFULLY BEFORE PREPARING THIS REPORT.			
For Official Use Only  E	1. FILE NUMBER  000-000	2. PERIOD COVERED MO DAY YEAR From Through	3. (a) AMENDED - If this is an amended report, check here: <input type="checkbox"/> (b) HARDSHIP - If filing under the hardship procedures, check here: <input type="checkbox"/> (c) TERMINAL - If this is a terminal report, check here: <input type="checkbox"/>
4. AFFILIATION OR ORGANIZATION NAME		8. MAILING ADDRESS (Type or print in capital letters)	
5. DESIGNATION (Local, Lodge, etc.)		First Name Last Name	
6. DESIGNATION NUMBER		P.O. Box - Building and Room Number	
7. UNIT NAME (if any)		Number and Street	
9. Are your organization's records kept at its mailing address? (If "No," provide address in Item 69.) Yes <input type="checkbox"/> No <input type="checkbox"/>		City	
		State ZIP Code + 4	
69. ADDITIONAL INFORMATION (Text entered will appear on last page of form. To enter comments, press the "General Additional Information" button.)			
Each of the undersigned, duly authorized officers of the above labor organization, declares, under penalty of perjury and other applicable penalties of law, that all of the information submitted in this report (including the information contained in any accompanying documents) has been examined by the signatory and is, to the best of the undersigned's knowledge and belief, true, correct, and complete. (See Section VI on penalties in the instructions.)			
70. SIGNED: _____ PRESIDENT Date Telephone Number		71. SIGNED: _____ TREASURER (If other title, see instructions.) Date Telephone Number	

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**COMPLETE ITEMS 10 THROUGH 21**

FILE NUMBER: 000-000

10. During the reporting period did the labor organization create or participate in the administration of a trust or other fund or organization, as defined in the instructions, which provides benefits for members or their beneficiaries? Yes ☐ No ☐

11. During the reporting period did the labor organization have a political action committee (PAC) fund? Yes ☐ No ☐

12. During the reporting period did the labor organization have an audit or review of its books and records by an outside accountant or by a parent body auditor/representative? Yes ☐ No ☐

13. During the reporting period did the labor organization discover any loss or shortage of funds or other assets? (Answer "Yes" even if there has been repayment or recovery.) Yes ☐ No ☐

14. What is the maximum amount recoverable under the labor organization's fidelity bond for a loss caused by any officer, employee or agent of the labor organization who handled union funds?

15. During the reporting period did the labor organization acquire or dispose of any assets in any manner other than by purchase or sale? Yes ☐ No ☐

16. Were any of the labor organization's assets pledged as security or encumbered in any other way at the end of the reporting period? Yes ☐ No ☐

17. Did the labor organization have any contingent liabilities at the end of the reporting period? Yes ☐ No ☐

18. During the reporting period did the labor organization have any changes in its constitution and bylaws, other than rates of dues and fees, or in practices/procedures listed in the instructions? Yes ☐ No ☐

19. What is the date of the labor organization's next regular election of officers?

20. How many members did the labor organization have at the end of the reporting period? (Total from Line 6 of Schedule 13)

21. What are the labor organization's rates of dues and fees? (Enter a minimum and maximum if more than one rate applies for any line.)

**Rates of Dues and Fees**

Dues/Fees	Amount	Unit	Minimum	Maximum
(a) Regular		per		
(b) Working		per		
(c) Initiation Fees		per		
(d) Transfer Fees		per		
(e) Work Permits		per		

If the answer to any of the above questions is "Yes," provide details in Item 69 (Additional Information) as explained in the instructions for each item.

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**STATEMENT A - ASSETS AND LIABILITIES**

FILE NUMBER: 000-000

Complete Schedules 1 Through 29 Before Completing Statement A

Assets	ASSETS	Schedule Number	Start of Reporting Period (A)	End of Reporting Period (B)
	22. Cash			
	23. Accounts Receivable	1		
	24. Loans Receivable	2		
	25. U.S. Treasury Securities			
	26. Investments	5		
	27. Fixed Assets	6		
	28. Other Assets	7		
	29. TOTAL ASSETS			

  

Liabilities	LIABILITIES	Schedule Number	Start of Reporting Period (C)	End of Reporting Period (D)
	30. Accounts Payable	8		
	31. Loans Payable	9		
	32. Mortgages Payable			
	33. Other Liabilities	10		
	34. TOTAL LIABILITIES			

  

35. NET ASSETS (Item 29 Less Item 34)		
---------------------------------------	--	--

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**STATEMENT B - RECEIPTS AND DISBURSEMENTS**

FILE NUMBER: 000-000

Complete Schedules 1 Through 29 Before Completing Statement B

Item	CASH RECEIPTS	SCH #	AMOUNT
36.	Dues and Agency Fees	14	
37.	Per Capita Tax	15	
38.	Fees, Fines, Assessments, Work Permits	16	
39.	Sale of Supplies	17	
40.	Interest	18	
41.	Dividends	19	
42.	Rents	20	
43.	Sale of Investments and Fixed Assets	3	
44.	Loans Obtained	9	
45.	Repayments of Loans Made	2	
46.	On Behalf of Affiliates for Transmittal to Them	21	
47.	From Members for Disbursement on Their Behalf	22	
48.	Other Receipts	23	
49.	TOTAL RECEIPTS		

  

Item	CASH DISBURSEMENTS	SCH #	AMOUNT
50.	Representational Activities	24	
51.	Political Activities and Lobbying	25	
52.	Contributions, Gifts, and Grants	26	
53.	General Overhead	27	
54.	Union Administration	28	
55.	Benefits	29	
56.	Per Capita Tax		
57.	Strike Benefits		
58.	Fees, Fines, Assessments, etc.		
59.	Supplies for Resale		
60.	Purchase of Investments and Fixed Assets	4	
61.	Loans Made	2	
62.	Repayment of Loans Obtained	9	
63.	To Affiliates of Funds Collected on Their Behalf		
64.	On Behalf of Individual Members		
65.	Direct Taxes		
66.	Subtotal		
67.	Withholding Taxes and Other Payroll Deductions		
67a.	Total Withheld		
67b.	Less Total Disbursed		
67c.	Total Withheld But Not Disbursed		
68.	TOTAL DISBURSEMENTS (Line 66-Line 67c)		

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**DETAILED SUMMARY PAGE – SALES & PURCHASES SCHEDULES 3 & 4**  
Complete Schedules 3 and 4 Before Completing Statement B

FILE NUMBER: 000-000

SCHEDULE 3 - SALE OF INVESTMENTS AND FIXED ASSETS	
(1) Total of All Itemized Transactions With All Named Purchasers	
(2) Total of All Non-Itemized Transactions With All Named Purchasers	
(3) Total of All Other Sales of Investments and Fixed Assets	
(4) Total	
(5) Less Reinvestments	
(6) Net Received from Sales	

SCHEDULE 4 - PURCHASE OF INVESTMENTS AND FIXED ASSETS	
(1) Total of All Itemized Transactions With All Named Sellers	
(2) Total of All Non-Itemized Transactions With All Named Sellers	
(3) Total of All Other Sales of Investments and Fixed Assets	
(4) Total	
(5) Less Reinvestments	
(6) Net Purchases	

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**DETAILED SUMMARY PAGE – RECEIPT SCHEDULES 14 – 23**

FILE NUMBER: 000-000

Complete Schedules 14 Through 23 Before Completing Statement B

<b>SCHEDULE 14</b>  Dues and Agency Fees	1. Named Payer Receipts \$0 2. All Other Receipts \$0 3. Total Receipts (add Lines 1 through 2) \$0 <b>ITEM 36</b>	<b>SCHEDULE 19</b>  Dividends	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 41</b>
<b>SCHEDULE 15</b>  Per Capita Tax	1. Named Payer Receipts \$0 2. All Other Receipts \$0 3. Total Receipts (add Lines 1 through 2) \$0 <b>ITEM 37</b>	<b>SCHEDULE 20</b>  Rents	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 42</b>
<b>SCHEDULE 16</b>  Fees, Fines, Permits	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 38</b>	<b>SCHEDULE 21</b>  Behalf of Affiliates	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 46</b>
<b>SCHEDULE 17</b>  Sales of Supplies	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 39</b>	<b>SCHEDULE 22</b>  Members Behalf	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 47</b>
<b>SCHEDULE 18</b>  Interest	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 40</b>	<b>SCHEDULE 23</b>  Other Receipts	1. Named Payer Itemized Receipts \$0 2. Named Payer Non-Itemized Receipts \$0 3. All Other Receipts 4. Total Receipts (add Lines 1 through 3) \$0 <b>ITEM 48</b>

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**DETAILED SUMMARY PAGE – DISBURSEMENTS SCHEDULES 24 – 29**

FILE NUMBER: 000-000

Complete Schedules 24 Through 29 Before Completing Statement B

<b>SCHEDULE 24</b>	1. Named Payee Itemized Disbursements		<b>Item 50</b>	<b>SCHEDULE 27</b>	1. Named Payee Itemized Disbursements		<b>Item 53</b>
	2. Named Payee Non-Itemized Disbursements				2. Named Payee Non-Itemized Disbursements		
	3. To Officers				3. To Officers		
	4. To Employees				4. To Employees		
	5. All Other Disbursements				5. All Other Disbursements		
	6. Total Disbursements (add lines 1 through 5)				6. Total Disbursements (add lines 1 through 5)		
Representational Activities							
<b>SCHEDULE 25</b>	1. Named Payee Itemized Disbursements		<b>Item 51</b>	<b>SCHEDULE 28</b>	1. Named Payee Itemized Disbursements		<b>Item 54</b>
	2. Named Payee Non-Itemized Disbursements				2. Named Payee Non-Itemized Disbursements		
	3. To Officers				3. To Officers		
	4. To Employees				4. To Employees		
	5. All Other Disbursements				5. All Other Disbursements		
	6. Total Disbursements (add lines 1 through 5)				6. Total Disbursements (add lines 1 through 5)		
Political Activities and Lobbying							
<b>SCHEDULE 26</b>	1. Named Payee Itemized Disbursements		<b>Item 52</b>	<b>SCHEDULE 29</b>	1. Named Payee Itemized Disbursements		<b>Item 55</b>
	2. Named Payee Non-Itemized Disbursements				2. Named Payee Non-Itemized Disbursements		
	3. To Officers				3. To Officers		
	4. To Employees				4. To Employees		
	5. All Other Disbursements				5. All Other Disbursements		
	6. Total Disbursements (add lines 1 through 5)				6. Total Disbursements (add lines 1 through 5)		
Contributions, Gifts, and Grants							
				<b>SCHEDULE 29</b>	1. Named Payee Itemized Disbursements		<b>Item 55</b>
					2. Named Payee Non-Itemized Disbursements		
					3. To Officers		
					4. To Employees		
					5. All Other Disbursements		
					6. Total Disbursements (add lines 1 through 5)		
				Benefits			

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**SCHEDULE 1 – ACCOUNTS RECEIVABLE AGING SCHEDULE**

FILE NUMBER: 000-000

Entity or Individual Name (A)	Total Account Receivable (B)	90-180 Days Past Due (C)	180+ Days Past Due (D)	Liquidated Account Receivable (E)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				
21.				
22.				
23.				
24.				
25. Totals from Continuation pages (if any)				
26. Totals of Lines 1 through 25				
27. Totals from all other accounts receivable				
28. Totals of Lines 26 and 27				

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FILE NUMBER: 000-000

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FILE NUMBER: 000-000

Name and Address (A)	Description (if land or building give location) (B)	Date (C)	Cost (D)	Book Value (E)	Gross Sales Price (F)	Amount Received (G)
(H) Total of Transactions Listed Above						
(I) Total of All Transactions from Continuation Pages with this Purchaser						
(J) Total of All Itemized Transactions with this Purchaser (Sum of (H) and (I))						
(K) Total of All Non-Itemized Transactions with this Purchaser						
(L) Total of All Transactions with This Purchaser for this Schedule (Sum of (J) and (K))						

FILE NUMBER: 000-000

Name and Address (A)	Description (If land or building give location) (B)	Date (C)	Cost (D)	Book Value (E)	Amount Paid (F)
	(G) Total of Transactions Listed Above				
	(H) Total of All Transactions from Continuation Pages with this Seller				
	(I) Total of All Itemized Transactions with this Seller (Sum of (G) and (H))				
	(J) Total of All Non-Itemized Transactions with this Seller				
	(K) Total of All Transactions with this Seller for this Schedule (Sum of (I) and (J))				

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FILE NUMBER: 000-000

Description (A)	Amount (B)
<b>Marketable Securities</b>	
1. Total Cost	
2. Total Book Value	
3. List each marketable security which has a book value over \$5,000 and exceeds 5% of Line 2.	
(a)	
(b)	
(c)	
(d) Total from Continuation pages (if any)	
<b>Other Investments</b>	
4. Total Cost	
5. Total Book Value	
6. List each other investment which has a book value over \$5,000 and exceeds 5% of Line 5. Also, list each Trust which is an investment.	
(a)	
(b)	
(c)	
(d)	
(e) Total from Continuation pages (if any)	
7. Total of Lines 2 and 5	

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**SCHEDULE 6 - FIXED ASSETS**

FILE NUMBER: 000-000

Description (A)	Cost or Other Basis (B)	Total Depreciation or Amount Expensed (C)	Book Value (D)	Value (E)
1. Land (give location)				
2. Totals from Continuation pages (if any)				
3. Buildings (give location)				
4. Totals from Continuation pages (if any)				
5. Automobiles and Other Vehicles				
6. Office Furniture and Equipment				
7. Other Fixed Assets				
8. Totals of Lines 1 through 7				

**SCHEDULE 7 - OTHER ASSETS**

FILE NUMBER: 000-000

Description (A)	Book Value (B)
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13.	
14. Total from Continuation pages (if any)	
15. Total of Lines 1 through 14	

**SCHEDULE 8 – ACCOUNTS PAYABLE AGING SCHEDULE**

FILE NUMBER: 000-000

Entity or Individual Name (A)	Total Account Payable (B)	90-180 Days Past Due (C)	180+ Days Past Due (D)	Liquidated Account Payable (E)
1.				
2.				
3.				
4.				
5.				
6.				
7.				
8.				
9.				
10.				
11.				
12.				
13.				
14.				
15.				
16.				
17.				
18.				
19.				
20.				
21.				
22.				
23.				
24.				
25. Totals from Continuation pages (if any)				
26. Totals of Lines 1 through 25				
27. Totals from all other accounts payable				
28. Totals of Lines 26 and 27				

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**SCHEDULE 9 – LOANS PAYABLE**

FILE NUMBER: 000-000

Source of Loans Payable at Any Time During the Reporting Period (A)	Loans Owed at Start of Period (B)	Loans Obtained During Period (C)	Repayment Made During Period		Loans Owed at End of Period (E)
			Cash (D)(1)	Other Than Cash (D)(2)	
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12. Totals from Continuation pages (if any)					
13. Totals of Lines 1 through 12					

The totals from Line 13 will be automatically entered in \_\_\_\_\_ Item 31 \_\_\_\_\_ Item 44 \_\_\_\_\_ Item 62 \_\_\_\_\_ Item 60 \_\_\_\_\_ Item 31  
Column (C) with Explanation Column (D)

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## SCHEDULE 10 - OTHER LIABILITIES

FILE NUMBER: 000-000

Description (A)	Amount at End of Period (B)
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
13. Total from Continuation pages (if any)	
14. Total of Lines 1 through 13	

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## SCHEDULE 11 - ALL OFFICERS AND DISBURSEMENTS TO OFFICERS

FILE NUMBER: 000-000

(A)* Name	(B)* Title	(C)* Status	Gross Salary Disbursements (before any deductions) (D)	Allowances Disbursed (E)	Benefits (F)	Disbursements for Official Business (G)	Other Disbursements not Reported in (D) through (G) (H)	Total (I)
1. A*								
B*								
C*								
J*			Schedule 24 Representational Activities ____%	Schedule 25 Political Activities and Lobbying ____%		Schedule 26 Contributions ____%	Schedule 27 General Overhead ____%	Schedule 28 Union Administration ____%
2. A*								
B*								
C*								
J*			Schedule 24 Representational Activities ____%	Schedule 25 Political Activities and Lobbying ____%		Schedule 26 Contributions ____%	Schedule 27 General Overhead ____%	Schedule 28 Union Administration ____%
3. A*								
B*								
C*								
J*			Schedule 24 Representational Activities ____%	Schedule 25 Political Activities and Lobbying ____%		Schedule 26 Contributions ____%	Schedule 27 General Overhead ____%	Schedule 28 Union Administration ____%
4. A*								
B*								
C*								
J*			Schedule 24 Representational Activities ____%	Schedule 25 Political Activities and Lobbying ____%		Schedule 26 Contributions ____%	Schedule 27 General Overhead ____%	Schedule 28 Union Administration ____%
5. A*								
B*								
C*								
J*			Schedule 24 Representational Activities ____%	Schedule 25 Political Activities and Lobbying ____%		Schedule 26 Contributions ____%	Schedule 27 General Overhead ____%	Schedule 28 Union Administration ____%
6. Totals from continuation pages (if any)								
7. Total of Lines 1-6								
8. Less deductions								
9. Net disbursements								

(A) Enter the full name in the following format: Last Name, First Name, Middle Initial. List all persons who held office during the reporting period even if they received no salary or other disbursements. (B) Enter officer title, e.g., PRESIDENT or TREASURER. (C) Code for Status: past officer - P; continuing officer - C; new officer during reporting period - N. (If any officer was not elected at a regular election in accordance with the labor organization's constitution and bylaws, explain in Item 9B.) (J) Enter the PERCENTAGE (A%) of time officer worked on activities covered in the corresponding Schedules 24-28.

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## SCHEDULE 12 - DISBURSEMENTS TO EMPLOYEES

FILE NUMBER: 000-000

(A) Name	(B) Title	(C) Other Payer	(D) Gross Salary Disbursements (before any deductions)	(E) Allowances Disbursed	(F) Benefits	(G) Disbursements for Official Business	(H) Other Disbursements not Reported in (D) through (G)	(I) Total
1. A*								
B*								
C*								
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
2. A*								
B*								
C*								
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
3. A*								
B*								
C*								
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
4. A*								
B*								
C*								
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
5. A*								
B*								
C*								
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
6. A*	ALL OTHER EMPLOYEES							
J*			Schedule 24 Representational Activities %	Schedule 25 Political Activities and Lobbying %	Schedule 26 Contributions %	Schedule 27 General Overhead %	Schedule 28 Union Administration %	
7. Totals from continuation pages (if any)								
8. Total of Lines 1-6								
9. Less deductions								
10. Net disbursements								

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## SCHEDULE 13 - MEMBERSHIP STATUS

FILE NUMBER: 000-000

Category of Membership (A)	Number (B)	Voting Eligibility (C)
1.		Yes <input type="checkbox"/>
2.		Yes <input type="checkbox"/>
3.		Yes <input type="checkbox"/>
4.		Yes <input type="checkbox"/>
5.		Yes <input type="checkbox"/>
6.		Yes <input type="checkbox"/>
7. Total from Continuation page(s)		
8. Members (Total of Lines 1 through 7)		
9. Agency Fee Payers*		
10. Total Members/Fee Payers (Total of Lines 8 and 9)		

\*Agency Fee Payers are not considered members of the labor organization.

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000-000

[illegible]

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**SCHEDULE 16 – PER CAPITA TAX**[illegible]

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**SCHEDULE 16 - FEES, FINES, ASSESSMENTS, WORK PERMIT**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 17 - SALES OF SUPPLIES**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 18 – INTEREST**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 19 – DIVIDENDS**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 20 – RENTS**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 21 – ON BEHALF OF AFFILIATES FOR TRANSMITTAL TO THEM**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

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**SCHEDULE 22 – FROM MEMBERS FOR DISBURSEMENT ON THEIR BEHALF**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
	(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))		
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM- 2 (Revised 2008)

**SCHEDULE 23 – OTHER RECEIPTS**

FILE NUMBER: 000-000

*Complete Itemization Pages BEFORE the Detailed Summary Page*

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
	(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))		
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM- 2 (Revised 2008)

**SCHEDULE 24 – REPRESENTATIONAL ACTIVITIES**

FILE NUMBER: 000-000

**Complete Itemization Pages BEFORE the Detailed Summary Page**

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
	•		
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
	(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))		
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM-2 (Revised 2008)

**SCHEDULE 25 – POLITICAL AND LOBBYING ACTIVITIES**

FILE NUMBER: 000-000

**Complete Itemization Pages BEFORE the Detailed Summary Page**

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
	(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))		
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM-2 (Revised 2008)

## SCHEDULE 26 – CONTRIBUTIONS, GIFTS, AND GRANTS

FILE NUMBER: 000-000

Complete Itemization Pages BEFORE the Detailed Summary Page

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM- 2 (Revised 2008)

## SCHEDULE 27 – GENERAL OVERHEAD

FILE NUMBER: 000-000

Complete Itemization Pages BEFORE the Detailed Summary Page

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation Pages with this Payee/Payer		
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			

Form LM- 2 (Revised 2008)

**SCHEDULE 28 – UNION ADMINISTRATION**

FILE NUMBER: 000-000

Complete Itemization Pages BEFORE the Detailed Summary Page

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
(F) Total of Transactions Listed Above			
(G) Total of All Transactions from Continuation Pages with this Payee/Payer			
(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))			
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (sum of (H) and (I))			

Form LM-2 (Revised 2008)

**SCHEDULE 29 – BENEFITS**

FILE NUMBER: 000-000

Description (A)	To Whom Paid (B)	Amount (C)
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22. Total of Continuation pages (if any)		
23. Total of Lines 1 through 22		

Form LM-2 (Revised 2008)

## ITEMIZATION PAGE FOR RECEIPTS/DISBURSEMENT SCHEDULES 16 -28

FILE NUMBER: 000-000

Complete Itemization Pages BEFORE the Detailed Summary Page

Name and Address (A)	Purpose (C)	Date (D)	Amount (E)
(B) Type or Classification			
	(F) Total of Transactions Listed Above		
	(G) Total of All Transactions from Continuation pages with this Payee/Payer		
	(H) Total of All Itemized Transactions with this Payee/Payer (Sum of (F) and (G))		
(I) Total of All Non-Itemized Transactions with this Payee/Payer			
(J) Total of All Transactions with This Payee/Payer for This Schedule (Sum of (H) and (I))			



Public reporting burden for this collection of information is estimated to average 653.86 hours per response in the first year and 520.36 hours per response in the second and third years. This includes the time for reviewing instructions, searching existing data sources, gathering and maintaining data needed, and completing and reviewing the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. Reporting of this information is mandatory and is required by the Labor-Management Reporting and Disclosure Act of 1959, as amended, for the purpose of public disclosure. As this is public information, there are no assurances of confidentiality. If you have any comments regarding this estimate or any other aspect of this information collection, including suggestions for reducing this burden, please send them to the U.S. Department of Labor, Employment Standards Administration, Office of Labor-Management Standards, Division of Interpretations and Standards, Room N-5609, 200 Constitution Avenue, NW, Washington, DC 20210.

## INSTRUCTIONS FOR ELECTRONIC FORM LM-2 LABOR ORGANIZATION ANNUAL REPORT

### GENERAL INSTRUCTIONS

#### I. WHO MUST FILE

Every labor organization subject to the Labor-Management Reporting and Disclosure Act, as amended (LMRDA), the Civil Service Reform Act (CSRA), or the Foreign Service Act (FSA) must file a financial report, Form LM-2, LM-3, or LM-4, each year with the Office of Labor-Management Standards (OLMS) of the U.S. Department of Labor's (Department) Employment Standards Administration. These laws cover labor organizations that represent employees who work in private industry, employees of the U.S. Postal Service, and most Federal government employees. Labor organizations that represent only state, county, or municipal government employees are not covered by these laws and, therefore, are not required to file, except that any "conference, general committee, joint or system board, or joint council" that is subordinate to a national or international labor organization is a labor organization under the LMRDA and is required to file a financial report if the national or international labor organization is a labor organization engaged in an industry affecting commerce within the meaning of section 3(j) of the LMRDA. If you have a question about whether the labor organization is required to file, contact the nearest OLMS field office listed at the end

of these instructions.

#### II. WHAT FORM TO FILE

Every labor organization subject to the LMRDA, CSRA, or FSA with total annual receipts of \$250,000 or more must file Form LM-2. The term "total annual receipts" means all financial receipts of the labor organization during its fiscal year, regardless of the source, including receipts of any special funds and "subsidiaries" as described in Section VIII (Funds To Be Reported) of these instructions.

A labor organization with total annual receipts of less than \$250,000 may file the simplified annual report Form LM-3, if its privilege to file the Form LM-3 has not been revoked by order of the Secretary of Labor or it is not in trusteeship as defined in Section IX (Labor Organizations In Trusteeship) of these instructions. Labor organizations with total annual receipts of less than \$10,000 may file the abbreviated annual report Form LM-4, if not in trusteeship.

**NOTE:** Certain labor organizations are required to file Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service (IRS). The IRS has accepted a copy of the labor organization's Form LM-2 in the past to provide some of the information required by Form 990. See the instructions for the

current Form 990 for details. Filing Form LM-2 with the IRS does not satisfy the labor organization's reporting requirement with the U.S. Department of Labor.

### III. WHEN TO FILE

Form LM-2 must be filed within 90 days after the end of the labor organization's fiscal year (12-month reporting period). The law does not authorize the Department to grant an extension of time for filing reports. The penalties for delinquency are described in Section VI (Officer Responsibilities and Penalties) of these instructions.

If the labor organization went out of existence during its fiscal year, a terminal financial report must be filed within 30 days after the date it ceased to exist. See Section XII (Labor Organizations That Have Ceased to Exist) of these instructions for information on filing a terminal financial report.

### IV. HOW TO FILE

Form LM-2, and Form T-1 Trust Annual Report as described in Section X (Trusts in Which a Labor Organization is Interested) of these instructions, must be submitted electronically to the Department. A Form LM-2 and T-1 filer will be able to file a report in paper format only if it asserts a temporary hardship exemption or applies for and is granted a continuing hardship exemption. Forms LM-3 and LM-4 may be prepared and submitted electronically but it is not required. A labor organization whose privilege to file a Form LM-3 has been revoked by order of the Secretary may submit the Form LM-2 in paper format.

### HARDSHIP EXEMPTIONS

A labor organization that must file Form LM-2 or T-1 may assert a temporary hardship exemption or apply for a continuing hardship exemption to prepare and submit the report in paper format. If a labor organization files both Form LM-2

and Form T-1, the exemption must be separately asserted for each report, although in appropriate circumstances the same reasons may be used to support both exemptions. If it is possible to file Form LM-2, or one or more Form T-1s electronically, no exemption should be claimed for those reports, even though an exemption is warranted for a related report.

### TEMPORARY HARDSHIP EXEMPTION:

If a labor organization experiences unanticipated technical difficulties that prevent the timely preparation and submission of an electronic filing, the organization may file Form LM-2 or T-1 in paper format by the required due date. An electronic format copy of the filed paper format document shall be submitted to the Department within ten business days after the required due date. Indicate in Item 3 (Amended, Hardship Exempted, or Terminal Report) that the labor organization is filing under the hardship exemption procedures. Unanticipated technical difficulties that may result in additional delays should be brought to the attention of the OLMS Division of Interpretations and Standards, which can be reached at the address below, by email at [OLMS-Public@dol.gov](mailto:OLMS-Public@dol.gov), by phone at 202-693-0123, or by fax at 202-693-1340.

**NOTE:** If either the paper filing or the electronic filing is not received in the timeframe specified above, the report will be considered delinquent.

### CONTINUING HARDSHIP EXEMPTION:

(a) A labor organization may apply in writing for a continuing hardship exemption if Form LM-2 or T-1 cannot be filed electronically without undue burden or expense. Such written application shall be received at least 30 days prior to the required due date of the report(s). The written application shall contain the information set forth in paragraph (b). The application must be mailed to the following address:

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Avenue, NW  
Room N-5609  
Washington, DC 20210-0001

Questions regarding the application should be directed to the OLMS Division of Interpretations and Standards, which can be reached at the above address, by e-mail at [OLMS-Public@dol.gov](mailto:OLMS-Public@dol.gov), by phone at 202-693-0123, or by fax at 202-693-1340.

(b) The request for the continuing hardship exemption shall include, but not be limited to, the following: (1) the justification for the requested time period of the exemption; (2) the burden and expense that the labor organization would incur if it was required to make an electronic submission; and (3) the reasons for not submitting the report(s) electronically. The applicant must specify a time period not to exceed one year.

(c) The continuing hardship exemption shall not be deemed granted until the Department notifies the applicant in writing. If the Department denies the application for an exemption, the labor organization shall file the report(s) in electronic format by the required due date. If the Department determines that the grant of the exemption is appropriate and consistent with the public interest and the protection of union members and so notifies the applicant, the labor organization shall follow the procedures set forth in paragraph (d).

(d) If the request is granted, the labor organization shall submit the report(s) in paper format by the required due date. The filer may be required to submit Form LM-2 or T-1 in electronic format upon the expiration of the period for which the exemption is granted. Indicate in Item 3 (Amended, Hardship Exempted, or Terminal Report) that the labor

organization is filing under the hardship exemption procedures.

**NOTE:** If either the paper filing or the electronic filing is not received in the timeframe specified above, the report will be considered delinquent.

## V. PUBLIC DISCLOSURE

The LMRDA requires that the Department make labor organization financial reports available for inspection by the public. Reports may be viewed and downloaded from the OLMS Web site at <http://www.unionreports.gov>. Copies of reports and union constitutions and bylaws can also be ordered at the same Web site. Reports may also be examined and copies purchased at the OLMS Public Disclosure Room at the following address:

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Avenue, NW  
Room N-1519  
Washington, DC 20210-0001

## VI. OFFICER RESPONSIBILITIES AND PENALTIES

The president and treasurer or the corresponding principal officers of the labor organization required to sign Form LM-2 are personally responsible for its filing and accuracy. Under the LMRDA, officers are subject to criminal penalties for willful failure to file a required report and for false reporting. False reporting includes making any false statement or misrepresentation of a material fact while knowing it to be false, or for knowingly failing to disclose a material fact in a required report or in the information required to be contained in it or in any information required to be submitted with it.

The reporting labor organization and the officers required to sign Form LM-2 are also subject to civil prosecution for violations of the filing requirements.

Section 210 of the LMRDA (29 U.S.C. 440) provides that "whenever it shall appear that any person has violated or is about to violate any of the provisions of this title, the Secretary may bring a civil action for such relief (including injunctions) as may be appropriate."

Under the CSRA and FSA and implementing regulations, false reporting and failure to report may result in administrative enforcement action and litigation. The officers responsible for signing Form LM-2 are also subject to criminal penalties for false reporting and perjury under Sections 1001 of Title 18 and 1746 of Title 28 of the United States Code.

## **VII. RECORDKEEPING**

The officers required to file Form LM-2 are responsible for maintaining records that will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. The records must be kept for at least 5 years after the date the report is filed. Any record necessary to verify, explain or clarify the report must be retained, including, but not limited to, vouchers, worksheets, receipts, applicable resolutions, and any electronic documents, including recordkeeping software, used to complete, read, and file the report.

## **VIII. FUNDS TO BE REPORTED**

The labor organization must report financial information on Form LM-2 for all funds of the labor organization. Include any special purpose funds or accounts, such as strike funds, vacation funds, and scholarship funds even if they are not part of the labor organization's general treasury. The labor organization must report financial information on Form LM-2 for all trusts in which the labor organization is interested when the trust is a subsidiary organization. A subsidiary organization is any separate organization of which the ownership is wholly vested in

the reporting labor organization or its officers or its membership, which is governed or controlled by the officers, employees, or members of the reporting labor organization, and which is wholly financed by the reporting labor organization. A subsidiary organization is considered to be wholly financed if the initial financing was provided by the reporting labor organization even if the subsidiary organization is currently wholly or partially self-sustaining.

The labor organization is required to report information about trusts in which it is interested on the Form T-1. See Section X (Trusts In Which A Labor Organization Is Interested).

## **SPECIAL INSTRUCTIONS FOR CERTAIN ORGANIZATIONS**

### **IX. LABOR ORGANIZATIONS IN TRUSTEESHIP**

Any labor organization that has placed a subordinate labor organization in trusteeship is responsible for filing the subordinate's annual financial report. A trusteeship is defined in section 3(h) of the LMRDA (29 U.S.C. 402) as "any receivership, trusteeship, or other method of supervision or control whereby a labor organization suspends the autonomy otherwise available to a subordinate body under its constitution or bylaws."

Annual financial reports filed for any labor organization in trusteeship must be filed on Form LM-2. The report must be signed by the president and treasurer or corresponding principal officers of the labor organization that imposed the trusteeship. The trustees of the subordinate labor organization must also sign and date Form LM-2. To do so, click on the "Add Signature Block" button on page 1 to open a signature page near the end of the form.

### **X. TRUSTS IN WHICH A LABOR ORGANIZATION IS INTERESTED**

The labor organization must disclose assets, liabilities, receipts, and disbursements of a trust in which the labor organization is interested if the labor organization, alone or in combination with other labor organizations, either (1) appoints or selects a majority of the members of the trust's governing board or (2) contributes to the trust greater than 50% of the trust's receipts during the one-year reporting period. Any contributions made pursuant to a collective bargaining agreement shall be considered the labor organization's contribution.

A trust in which a labor organization is interested is defined in Section 3(l) of the LMRDA (29 U.S.C. 402(l)) as

...a trust or other fund or organization (1) which was created or established by a labor organization, or one or more of the trustees or one or more members of the governing body of which is selected or appointed by a labor organization, and (2) a primary purpose of which is to provide benefits for the members of such labor organization or their beneficiaries.

The definition of a trust in which a labor organization is interested may include, but is not limited to, joint funds administered by a union and an employer pursuant to a collective bargaining agreement, educational or training institutions, credit unions created for the benefit of union members, and redevelopment or investment groups established by the union for the benefit of its members. The determination whether a particular entity is a trust in which a labor organization is interested must be based on the facts in each case.

No Form T-1 should be filed for any trust

- (i) that meets the statutory definition of a labor organization and already files a Form LM-2, Form LM-3, or Form LM-4,
- (ii) that the LMRDA exempts from reporting, such as an organization

composed entirely of state or local government employees or a state or local central body,

- (iii) established as a Political Action Committee (PAC) if timely, complete and publicly available reports on the PAC are filed with a Federal or state agency,

- (iv) established as a political organization under 26 U.S.C. 527 if timely, complete, and publicly available reports are filed with the Internal Revenue Service,

- (v) constituting a federal employee health benefit plan subject to the provisions of the Federal Employees Health Benefits Act (FEHBA), or

- (vi) required to file a Form 5500. For purposes of these instructions only, a trust is "required to file a Form 5500" if a plan administrator is required to file an annual report on behalf of the trust under 29 U.S.C. section 1021 and/or 1024.<sup>40</sup> A trust on whose behalf such annual report is required to be filed that is eligible for an exemption from filing the annual report, the Form 5500 or the Form 5500-SF, is not included within this exemption and is deemed for purposes of this section only not to be a trust "required to file a Form 5500," even if a Form 5500 is filed on behalf of that trust. A trust eligible to file a notice or statement with the Secretary of

<sup>40</sup> The following sections of title 29 of the Code of Federal Regulations identify for purposes of these instructions, the types of ERISA plans that are not *required* to file a Form 5500: section 2520.104-20 (small unfunded, insured, or combination welfare plans), section 2520.104-22 (apprenticeship and training plans), section 2520.104-23 (unfunded or insured management and highly compensated employee pension plans), section 2520.104-24 (unfunded or insured management and highly compensated employee welfare plans), section 2520.104-25 (day care center plans), section 2520.104-26 (unfunded dues financed welfare plans maintained by employee organizations), section 2520.104-27 (unfunded dues financed pension plans maintained by employee organizations), section 2520.104-43 (certain small welfare plans participating in group insurance arrangements), and section 2520.104-44 (large unfunded, insured, or combination welfare plans; certain fully insured pension plans). *Labor organizations must file a Form T-1 for these types of plans.*

Labor in lieu of an annual report pursuant to an exemption from, or as an alternative method of complying with, the annual reporting obligation is not included within this exemption, even if it does file a Form 5500 or Form 5500-SF.

No report need be filed for federal employee health benefit plans subject to the provisions of the Federal Employees Health Benefits Act (FEHBA), nor for any for-profit commercial bank established or operating pursuant to the Bank Holding Act of 1956, 12 U.S.C. 1843.

A labor organization may complete only Items 1 through 15 and Items 26-27 (Signatures) of Form T-1 if annual audits prepared according to standards set forth in the Form T-1 instructions are freely available on demand under § 302(c)(5)(B) of the Labor Management Relations Act, 1947 (LMRA), 29 U.S.C. 186(c)(5)(B), and a copy of the audit is filed with the Form T-1.

Form T-1, or a qualifying audit, must be filed within 90 days after the end of the union's fiscal year. If the trust's fiscal year is not the same as the labor organization's fiscal year, state when the trust's fiscal year ends in Item 69 as required by the instructions for Item 10. See Instructions for Form T-1, Trust Annual Report.

Questions regarding these reporting requirements should be directed to the OLMS Division of Interpretations and Standards, which can be reached at the above address, by email at OLMS-Public@dol.gov, by phone at 202-693-0123 or by fax at 202-693-1340.

Examples of a trust in which a labor organization is interested may include, but are not limited to, the following entities:

**Example A: The Building Corporation**

– A labor organization creates a corporation which owns the building where the union has its offices. The building corporation must be reported as a trust in which the labor organization is interested.

**Example B: The Redevelopment Corporation**

– A labor organization creates an entity named the Redevelopment Corporation, or appoints one or more of the members of the governing board of the Corporation, which is established primarily to enable members of the labor organization to obtain low cost housing constructed with Federal Housing and Urban Development (HUD) grants. The Redevelopment Corporation must be reported as a trust in which it is interested. A labor organization that neither participated in the creation of the Corporation, nor appointed members of its governing board, but loaned money to the Corporation to use as matching money for HUD grants need not report the Corporation as a trust in which it is interested.

**Example C: The Educational Institute**

– Five reporting labor organizations form the Educational Institute to provide educational services primarily for the benefit of their members. Similar services are also provided to the general public. Each labor organization contributes funds to start the Educational Institute, which will then offer various educational programs that will generate revenue. Each labor organization that participated in forming the Institute, or that appoints a member to its governing body, must report the Educational Institute as a trust in which it is interested.

**Example D: Joint Funds**

– A reporting labor organization that forms a "joint fund" with a large national manufacturer to offer a variety of training and jobs skills programs for members of the labor organization, or appoints a member to the governing body of such a fund, must report the joint fund as a trust in which the labor organization has an interest.

**Example E: Job Targeting Fund**

– A reporting labor organization creates an entity for the purpose of making targeted disbursements to increase employment opportunities for its members. The fund

must be reported as a trust in which the labor organization is interested.

## **XI. COMPLETING FORM LM-2**

### **INTRODUCTION**

Upon opening the Form LM-2, a Document Status dialog box displays to briefly explain the special features of this document. Click on the "close" button to proceed.

Items 1, 2, and 4-7 are "pre-filled" items. These fields were filled in by the software based on information you entered when you accessed and downloaded the form from our Web site. You cannot edit these fields.

Most pages have a "Perform Calculations" button to total and transfer data to fields in various parts of the form. You may click on one or more of these buttons as you fill out the form at any time.

Be sure to click on the "Validate Form" button after you have completed the form but before you sign it. This action will generate an "Errors Page" listing any errors that must be corrected before you sign the form.

### **INFORMATION ITEMS 1-21**

Answer Items 1 through 21 as instructed. Select the appropriate box for those questions requiring a "Yes" or "No" answer; do not leave both boxes blank. Enter a single "0" in the boxes for items requiring a number or dollar amount if there is nothing to report.

**1. FILE NUMBER** — The software will enter the labor organization's 6-digit file number here and at the top of each page of Form LM-2. This is the number you entered when you downloaded Form LM-2. If the number is incorrect, you must download another copy of the form using the correct number. If the labor organization does not have the number on file and cannot obtain the number from

prior reports filed with the Department, the number can be obtained from the OLMS Web site at <http://www.unionreports.gov>, or by contacting the nearest OLMS field office listed at the end of these instructions.

**2. PERIOD COVERED** — The software will enter the beginning and ending dates of the period covered by this report. These are the dates you entered when you downloaded Form LM-2. If the dates are incorrect, you must download another form using the correct dates.

If the labor organization changed its fiscal year, the ending date in Item 2 should be the labor organization's new fiscal year ending date and the labor organization should indicate in Item 69 (Additional Information) that the report is for a period of less than 12 months because its fiscal year has changed. For example, if the labor organization's fiscal year ending date changes from June 30 to December 31, a report must be filed for the partial year from July 1 to December 31. Thereafter, the labor organization's annual report should cover a full 12-month period from January 1 to December 31.

**3. AMENDED, HARDSHIP EXEMPTED, OR TERMINAL REPORT** — Do not complete this item unless this report is an amended, hardship exempted, or terminal report. Select Item 3(a) if the labor organization is filing an amended report correcting a previously filed report. Select Item 3(b) if the labor organization is filing under the hardship exemption procedures defined in Section IV. Select Item 3(c) if the labor organization has gone out of business by disbanding, merging into another labor organization, or being merged and consolidated with one or more labor organizations to form a new labor organization, and this is the labor organization's terminal report. Be sure the date the labor organization ceased to exist is entered in Item 2 (Period Covered) after the word "Through." See Section XII (Labor Organizations That Have Ceased to Exist) of these instructions for more

information on filing a terminal report.

**4. AFFILIATION OR ORGANIZATION**

**NAME** — The software will access this information from the OLMS database and enter the name of the national or international labor organization or if the labor organization is a subordinate entity of such organization the name of the national or international labor organization, that granted the labor organization a charter. "Affiliates," within the meaning of these instructions, are labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relationship of parent and subordinate. For example, a parent body is an affiliate of all of its subordinate bodies, and all subordinate bodies of the same parent body are affiliates of each other.

If the labor organization has not reported such an affiliation, the software will enter the name of the labor organization as currently identified in the labor organization's constitution and bylaws or other organizational documents.

This item cannot be edited. If the labor organization needs to change this information or Item 5, 6, or 7, contact the OLMS Division of Reports, Disclosure, and Audits by telephone at 202-693-0124, by e-mail at [OLMS-Public@dol.gov](mailto:OLMS-Public@dol.gov), or by fax at 202-693-1345. Indicate that the subject of the inquiry is the pre-filled identifying information.

**5. DESIGNATION** — The software will enter the specific designation that is used to identify the labor organization, such as Local, Lodge, Branch, Joint Board, Joint Council, District Council, etc. This field cannot be edited.

**6. DESIGNATION NUMBER** — The software will enter the number or other identifier, if any, by which the labor organization is known. This field cannot be edited.

**7. UNIT NAME** — The software will enter

any additional or alternate name by which the labor organization is known, such as "Chicago Area Local." This field cannot be edited.

**8. MAILING ADDRESS** — The software will enter the current address where mail is most likely to reach the labor organization as quickly as possible. The first and last name of the person, if any, to whom such mail should be sent and any building and room number should be included. These fields are pre-filled from the OLMS database but can be edited by the filer.

**9. PLACE WHERE RECORDS ARE**

**KEPT** — If the records required to be kept by the labor organization to verify this report are kept at the address reported in Item 8 (Mailing Address), answer "Yes." If not, answer "No" and provide in Item 69 (Additional Information) the address where the labor organization's records are kept.

**10. TRUSTS OR FUNDS** — Answer "Yes" to Item 10, if the labor organization has an interest in a trust as defined in 29 U.S.C. 402(l) (see Section X of these Instructions). Provide in Item 69 (Additional Information) the full name, mailing address, and purpose of each trust. Also include in Item 69 the fiscal year ending date for any trust for which a Form T-1 is filed if the trust's fiscal year is different from that of the labor organization. See Instructions for Form T-1, Trust Annual Report, for guidance on trust reporting. If no Form T-1 is filed because a trust established as a political organization under 26 U.S.C. 527 (other than a Political Action Committee (PAC)), has filed timely, complete, and publicly available reports with appropriate Federal or state agencies, list the name of the government agency where the reports have been filed, such as the Internal Revenue Service (IRS), the relevant file number of the trust, or otherwise indicate where the report may be viewed. Political action committees, whether or not they are trusts, must be reported in Item 11.



**11. POLITICAL ACTION COMMITTEE**

**FUNDS** — If the labor organization answered "Yes" to Item 11, provide in Item 69 (Additional Information) the full name of each separate PAC and list the name of any government agency, such as the Federal Election Commission or a state agency, with which the PAC has filed a publicly available report, and the relevant file number of the PAC. (PAC funds not kept separate from the labor organization's treasury must be included in the labor organization's Form LM-2, unless publicly available reports on the PAC funds are filed with a Federal or state agency.)

**12. AUDIT OR REVIEW OF BOOKS**

**AND RECORDS** — If the labor organization answered "Yes" to Item 12, indicate in Item 69 (Additional Information) whether the audit or review was performed by an outside accountant or a parent body auditor/representative. If an outside accountant performed the audit or review, provide the name of the accountant or accounting firm. Report any audit or review by an outside accountant or a parent body auditor/representative in which the labor organization's books and records were examined to verify their accuracy and validity. The term "audit or review" does not include providing assistance in developing a bookkeeping system, providing routine bookkeeping services, or merely compiling information from the labor organization's books and records to prepare Form LM-2 or other financial reports. Also, do not answer "Yes" to Item 12 if an audit committee or trustees of the labor organization performed the audit or review.

**13. LOSSES OR SHORTAGES**

— Answer "Yes" to Item 13 if the labor organization experienced a loss, shortage, or other discrepancy in its finances during the period covered. Describe the loss or shortage in detail in Item 69 (Additional Information), including such information as the amount of the loss or shortage of funds or a description of the property that was lost, how it was lost, and to what

extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

**14. FIDELITY BOND** — Enter the maximum amount recoverable for a loss caused by any officer, employee, or agent of the labor organization who handled the labor organization's funds. Enter "0" if the labor organization was not covered by a fidelity bond during the reporting period.

**NOTE:** If a labor organization has property and annual financial receipts that totaled \$5,000 or more, each of the labor organization's officers, employees, and agents who handles funds or other property of the labor organization must be bonded. The amount of the bond must be at least 10% of the value of the funds handled by the individual during the last reporting period, up to a maximum bond of \$500,000. The bond must be obtained from a surety company approved by the Secretary of the Treasury. If you have any questions or need more information about bonding requirements, contact the nearest OLMS field office listed at the end of these instructions.

**15. ACQUISITION OR DISPOSITION OF**

**ASSETS** — If the labor organization answered "Yes" to Item 15, describe in Item 69 (Additional Information) the manner in which the labor organization acquired or disposed of the asset(s), such as donating office furniture or equipment to charitable organizations, trading in assets, writing off a receivable, or giving away other tangible or intangible property of the labor organization. Include the type of asset, its value, and the identity of the recipient or donor, if any. Also report in Item 69 the cost or other basis at which any acquired assets were entered on the labor organization's books or the cost or other basis at which any assets disposed of were carried on the labor organization's books. For example, assets may be entered on the labor organization's books at cost and carried at that value; carried at cost less accumulated depreciation; or

carried at scrap value or other nominal value because the assets were fully depreciated or were expensed when purchased (that is, the cost was charged to current expenses rather than entered on the books and periodically depreciated).

For assets that were traded in, enter in Item 69 the cost, book value, and trade-in allowance.

#### **16. PLEDGED OR ENCUMBERED**

**ASSETS** — If the labor organization answered "Yes" to Item 16, identify in Item 69 (Additional Information) all of the labor organization's assets pledged or encumbered in any way (such as those pledged as collateral for a loan) at the end of the reporting period. Also report in Item 69 their fair market value, and provide details of transactions related to the encumbrance.

**17. CONTINGENT LIABILITIES** — If the labor organization answered "Yes" to Item 17, describe in Item 69 (Additional Information) the transactions or events resulting in the contingent liabilities and include the identity of the claimant or creditor. Contingent liabilities are potential obligations that may or may not develop into actual liabilities in the future. Examples of a contingent liability are a loan co-signed by the labor organization, or a pending lawsuit that could result in the labor organization being ordered to pay damages or make other payments.

A pending administrative or judicial action is considered a contingent liability that must be reported in Item 17 if, in the opinion of legal counsel, it is reasonably possible that the labor organization will be required to make some payment. Such administrative or judicial actions must be reported as contingent liabilities regardless of whether or not the possible losses would have a materially adverse effect on the labor organization's financial condition. List in Item 69 each administrative or judicial action, including the case number, court, and caption.

#### **18. CHANGES IN CONSTITUTION AND BYLAWS OR PRACTICES AND PROCEDURES**

— If the labor organization answered "Yes" to Item 18 because the labor organization's constitution and bylaws were changed during the reporting period (other than rates of dues and fees), a dated copy of the new constitution and bylaws must be submitted to OLMS as an electronic attachment to the Form LM-2.

If the labor organization is governed by a uniform or model constitution and bylaws prescribed by the labor organization's parent national or international body, the labor organization's parent body may file the constitution and bylaws on the labor organization's behalf. If the parent body files a constitution and bylaws on the labor organization's behalf, answer "Yes" to Item 18 and state that fact in Item 69 (Additional Information). If the labor organization has any supplemental governing documents or has modified a model constitution and bylaws, the labor organization must file these documents.

If the labor organization answered "Yes" to Item 18 because the labor organization changed any of the practices/procedures listed below during the reporting period and the practices/procedures are not described in the labor organization's constitution or bylaws, the labor organization must file an amended Form LM-1 (Labor Organization Information Report) to update information on file with the Department:

- qualifications for or restrictions on membership;
- levying assessments;
- participating in insurance or other benefit plans;
- authorizing disbursement of labor organization funds;
- auditing financial transactions of the labor organization;
- calling regular and special meetings;
- authorizing bargaining demands;
- ratifying contract terms;

- authorizing strikes;
- disciplining or removing officers or agents for breaches of their trust;
- imposing fines and suspending or expelling members including the grounds for such action and any provision made for notice, hearing, judgment on the evidence, and appeal procedures;
- selecting officers and stewards and any representatives to other bodies composed of labor organizations' representatives;
- invoking procedures by which a member may protest a defect in the election of officers (including not only all procedures for initiating an election protest but also all procedures for subsequently appealing an adverse decision, e.g., procedures for appeals to superior or parent bodies, if any); and
- issuing work permits.

Form LM-1 is available on the OLMS Web site at <http://www.olms.dol.gov> or from any OLMS field office listed at the end of these instructions.

**NOTE:** Federal employee labor organizations subject solely to the Civil Service Reform Act or Foreign Service Act are not required to submit an amended Form LM-1 to describe revised or changed practices/procedures.

#### **19. NEXT REGULAR ELECTION —**

Enter the month and year of the labor organization's next regular election of general officers (president, vice president, treasurer, secretary, etc.). Do not report the date of any interim election to fill vacancies.

**20. NUMBER OF MEMBERS —** After Schedule 13 is completed and the "Perform Calculations" button is clicked, the software will transfer the total in Line 8, Column (B) (Membership Status) to Item 20.

**21. DUES AND FEES —** Enter the dues and fees established by the labor organization. If more than one rate

applies, enter the minimum and maximum rates. Enter "0" where appropriate.

**Line (a):** Enter the regular dues, fees or other periodic payments that a member must pay to be in good standing in the labor organization, including the calendar basis for the payment (per month, per year, etc.). Include only the dues or fees of regular members and not dues or fees of members with special rates, such as apprentices, retirees, or unemployed members.

**Line (b)** If individuals covered by your organization's collective bargaining agreement(s) pay "working" dues in addition to their regular dues, enter the amount or percent of "working" dues, including the basis for the payment (per hour, per month, etc.).

**Line (c):** Enter the initiation fees required from new members.

**Line (d):** Enter the fees other than dues required from transferred members. Such fees are those charged to persons applying for a transfer of membership to the labor organization from another labor organization with the same affiliation. Do not report fees charged to members transferring from one class of membership to another within the labor organization.

**Line (e):** If the labor organization issues work permits, enter the fees required and enter the calendar basis for the payment (per month, per year, etc.). Work permit fees are fees charged to nonmembers of the labor organization who work within its jurisdiction. Do not report as work permit fees those fees charged to nonmember applicants for membership pending acceptance of their membership application, or fees charged to persons applying for transfer of membership to the labor organization pending acceptance of their application for transfer.

#### **FINANCIAL DETAILS**

#### **REPORT ONLY DOLLAR AMOUNTS**

Report all amounts in dollars only. Round cents to the nearest dollar. Amounts ending in \$.01 through \$.49 should be rounded down. Amounts ending in \$.50 through \$.99 should be rounded up.

## REPORTING CLASSIFICATIONS

Complete all items and lines on the form. Do not use different accounting classifications or change the wording of any item or line.

## BEGINNING AND ENDING AMOUNTS

Entries in Statement A must report amounts for both the start and the end of the reporting period. The software will pre-fill the amount for the start of the year with the amount reported for the end of the previous fiscal year. These amounts should be identical. If the data is incorrect, however, it can be edited manually. The reason for the change must be fully explained in Item 69 (Additional Information).

## COMPLETE SCHEDULES FIRST

Complete Schedules 1 through 29 before completing Statements A and B. Be sure to complete all applicable lines in Schedules 1 through 29. As you complete the schedules, the software will transfer some of the totals to the appropriate items in Statements A and B. You must enter the remaining totals manually.

## COMPLETE ALL ITEMS 22 THROUGH 68

Complete all items in Statement A and Statement B. Enter "0" where appropriate.

## SCHEDULES 1 THROUGH 12

### SCHEDULE 1 – ACCOUNTS RECEIVABLE AGING SCHEDULE –

The labor organization must report 1) all accounts with an entity or individual that

aggregate to a value of \$5,000 or more and that are 90 days or more past due at the end of the reporting period or were liquidated, reduced or written off during the reporting period; and 2) the total aggregated value of all other accounts receivable.

**Column (A):** Enter on Lines 1 through 24 the name of any entity or individual with which the labor organization has an account receivable of \$5,000 or more that is 90 days or more past due at the end of the reporting period or that was liquidated, reduced or written off during the reporting period without the receipt of cash sufficient to cover the total value of the account receivable.

**Column (B):** Enter on Lines 1 through 24 the total amount of money owed to the labor organization by the entity or individual at the end of the reporting period. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed to the labor organization in all other accounts receivable not required to be reported above. The software will add Lines 26 and 27 and enter the total on Line 28. The total from Line 28, Column (B) will be forwarded to Item 23, Column (B) of Statement A.

**Column (C):** Enter on Lines 1 through 24 the total amount of money owed to the labor organization by the entity or individual at the end of the reporting period that is 90 to 180 days past due. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed to the labor organization in all other accounts receivable (those of less than \$5,000) that are 90 to 180 days past due. The software will add Lines 26 and 27 and enter the total on Line 28.

**Column (D):** Enter on Lines 1 through 24 the total amount of money owed to the

labor organization by the entity or individual at the end of the reporting period that is more than 180 days past due. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed to the labor organization in all other accounts receivable (those of less than \$5,000) that are more than 180 days past due. The software will add Lines 26 and 27 and enter the total on Line 28.

**Column (E):** Enter on Lines 1 through 24 the total amount of money owed to the labor organization by the entity or individual that was liquidated, reduced or written off during the reporting period by the reporting labor organization without the receipt of cash sufficient to cover the total value of the account receivable. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed to the labor organization in all other accounts receivable (those of less than \$5,000) that was liquidated, reduced or written off during the reporting period by the reporting labor organization without the receipt of cash sufficient to cover the total value of the account receivable. The software will add Lines 26 and 27 and enter the total on Line 28.

Provide in Item 69 (Additional Information) all details and circumstances in connection with the liquidation, reduction or writing off of any account receivable, in accordance with the instructions for Item 15 (Acquisition or Disposition of Assets).

## **SCHEDULE 2 – LOANS RECEIVABLE**

— Report details of all direct and indirect loans (whether or not evidenced by promissory notes or secured by mortgages) owed to the labor organization at any time during the reporting period by individuals, business enterprises, benefit plans, and other entities including labor organizations. An example of an indirect loan is a disbursement by the labor

organization to an educational institution for the tuition expense of an officer, employee, or member that must be repaid to the labor organization by that individual. Be sure to report all loans that were made and repaid in full during the reporting period. Do not include investments in corporate bonds or mortgages purchased on a block basis through a bank or similar institution that must be reported in Schedule 5 (Investments Other Than U.S. Treasury Securities).

**NOTE:** Advances, including salary advances, are considered loans and must be reported in Schedule 2 (Loans Receivable). However, advances to officers and employees of the labor organization for travel expenses necessary for conducting official business are not considered loans if the following conditions are met:

- The amount of an advance for a specific trip does not exceed the amount of expenses reasonably expected to be incurred for official travel in the near future, and the amount of the advance is fully repaid or fully accounted for by vouchers or paid receipts within 30 days after the completion or cancellation of the travel.
- The amount of a standing advance to an officer or employee who must frequently travel on official business does not unreasonably exceed the average monthly travel expenses for which the individual is separately reimbursed after submission of vouchers or paid receipts, and the individual does not exceed 60 days without engaging in official travel.

See the instructions for Schedules 7 (Other Assets), 11 (All Officers and Disbursements to Officers) and 12 (Disbursements to Employees) for reporting travel advances that meet these criteria.

**Column (A):** Enter the following information on Lines 1 through 3 (and on continuation pages if necessary):

- The name of each officer, employee, or member whose total loan indebtedness to the labor organization at any time during the reporting period exceeded \$250, and the name of each business enterprise that had any loan indebtedness, regardless of amount, at any time during the reporting period;
- The purpose of each loan;
- The security given for each loan; and
- The terms of repayment for each loan.

For each officer or employee listed, indicate after each name either "O" (officer) or "E" (employee).

**Column (B):** Enter on Lines 1 through 3 the loan amounts outstanding at the start of the reporting period from each listed individual and business enterprise. The software will enter on Line 4 the total from any continuation pages. Enter on Line 5 the total of loans made to officers, employees, or members whose total individual loan indebtedness to the labor organization at any time during the reporting period did not exceed \$250, and all loans, regardless of amount, made to other individuals and entities. The software will add Lines 1 through 5 and enter the total on Line 6 and in Item 24 (Loans Receivable), Column (A) of Statement A.

**Column (C):** Enter on Lines 1 through 3 the amount of loans made during the reporting period to each listed individual and business enterprise. The software will enter on Line 4 the total from any continuation pages. Enter on Line 5 the total of all other loans made during the reporting period. The software will add Lines 1 through 5 and enter the total on Line 6 and in Item 61 (Loans Made) of Statement B.

**Columns (D)(1) and (D)(2):** Enter on Lines 1 through 3 the amount of loan repayments during the reporting period

from each listed individual and business enterprise. Report in these columns only the portion of the payments applied toward principal; interest received must be reported in Item 40 (Interest). Use Column (D)(1) to report repayments received in cash. Use Column (D)(2) to report repayments made in a manner other than cash, such as repayments made by officers or employees by means of deductions from their salaries. The software will enter on Line 4 the totals from any continuation pages. Enter on Line 5 the amount of loan repayments from all other loans. The software will add Lines 1 through 5, Columns (D)(1) and (D)(2), and enter the totals on Line 6. The software will enter the total from Line 6, Column (D)(1) in Item 45 (Repayments of Loans Made) of Statement B. Explain in Item 69 (Additional Information) any non-cash amounts reported in Column (D)(2).

**Column (E):** Enter on Lines 1 through 3 the loan amounts outstanding at the end of the reporting period for each listed individual and business enterprise. The software will enter on Line 4 the total from any continuation pages. Enter on Line 5 the total amount outstanding at the end of the reporting period for all other loans. The software will add Lines 1 through 5 and enter the total on Line 6 and in Item 24 (Loans Receivable), Column (B) of Statement A. If any loans receivable were liquidated, reduced or written off during the reporting period, the reason and the amount must be reported in Item 69 (Additional Information).

**NOTE:** Section 503(a) of the LMRDA (29 U.S.C. 503) prohibits labor organizations from making direct or indirect loans to any officer or employee of the labor organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2,000 at any time.

**SCHEDULE 3 – SALE OF INVESTMENTS AND FIXED ASSETS —**  
Schedule 3 includes the sale or redemption by the labor organization of

U.S. Treasury securities, marketable securities, other investments, and fixed assets, including those fixed assets that were expensed (that is, the cost of the asset was charged to current expenses, rather than entered on the books and periodically depreciated). Include receipts from sales of mortgages that were purchased on a block basis through a bank or similar institution. Do not include the receipts from repayments by individual mortgagors, which must be reported in Schedule 2 (Loans Receivable) as loan repayments.

Complete a Schedule 3 Itemization Page for each purchaser who paid the labor organization \$5,000 or more for investments or fixed assets before filling out the Schedule 3 Detailed Summary Page.

**NOTE:** Labor organizations need not itemize on Schedule 3 Itemization Page marketable securities when the purchaser is unknown. Marketable securities are those for which current market values can be obtained from published reports of transactions in listed securities or in securities traded "over the counter," such as corporate stocks and bonds, stock and bond mutual funds, state and municipal bonds, and foreign government securities. Instead enter on Line (3) of the Schedule 3 Detailed Summary Page the total amount from such sales.

**Column (A):** Enter the name and mailing address of the purchaser of \$5,000 or more in investments or fixed assets from the labor organization.

**Column (B):** Enter a general description of the type of investment or fixed asset sold, such as U.S. Treasury securities, stocks, bonds, land, automobiles, etc. If land or buildings were sold, enter the location of the property, including the street address, if appropriate.

**Column (C):** Enter the date of the sale.

**Column (D):** Enter the total cost of each

type of investment (including any transaction costs) or fixed asset described in Column (B).

**Column (E):** Enter the value at which the investment or fixed asset was shown on the labor organization's books.

**Column (F):** Enter the gross sales (or contract) price of the investment or fixed asset.

**Column (G):** Enter the net amount received from the sale of the investment or fixed asset. If the amount received during the reporting period is less than the amount due (gross sales price less any deductions for selling expenses and repayments of secured loans or mortgages), the additional amount due to the labor organization must be reported in Schedule 7 (Other Assets) with a description sufficient to identify the type of asset. However, if a mortgage or note is taken back, it must be reported as a new loan in Schedule 2 (Loans Receivable).

The software will enter on Line (H), Columns (D) through (G), the total amount from all transactions with the purchaser.

The software will enter on Line (I), Columns (D) through (G), the totals from any continuation pages with this purchaser.

The software will add Lines (H) and (I), Columns (F) and (G) and enter the totals on Line (J), Columns (F) and (G).

Enter on Line (K), Column (F) the total gross sales price and enter on Line (K), Column (G) enter the total amount received for all non-itemized transactions with this purchaser, that is, all individual receipts of less than \$5,000 each.

The software will add Lines (J) and (K), Columns (F) and (G) and enter the total on Line (L), Columns (F) and (G).

The software will add the amounts in Line (J), Column (G) of each Schedule 3

Itemization Page and enter the total on Line (1) of the Schedule 3 Detailed Summary Page.

The software will add the amounts in Line (K), Column (G) of each Schedule 3 Itemization Page and enter the total on Line (2) of the Schedule 3 Detailed Summary Page.

Enter on Line (3) of the Schedule 3 Detailed Summary Page the total of all receipts from sales of investments and fixed assets to other purchasers. This is the total from your organization's books of all receipts from sales of investments and fixed assets that were made to a purchaser of less than \$5,000.

The software will add Lines (1) through (3) and enter the total on Line (4).

**Prompt Reinvestments:** Enter on Line (5) of the Schedule 3 Detailed Summary Page the total amount from the sales or redemption of U.S. Treasury securities, marketable securities, or other investments that were promptly reinvested (i.e. "rolled over") in U.S. Treasury securities, marketable securities, or other investments during the reporting period. Calculate the total amount reinvested by adding, for each investment, the lower of each investment's original cost or the amount received from the sale or redemption that was actually reinvested. If only a portion of the amount received was reinvested, only the reinvested portion may be included on Line (5). Interest and dividends received during the reporting period must be reported in Items 40 (Interest) and 41 (Dividends).

The software will subtract Line (5) from Line (4) and enter the difference on Line (6) and in Item 43 (Sales of Investments and Fixed Assets) of Statement B.

**SCHEDULE 4 – PURCHASE OF INVESTMENTS AND FIXED ASSETS —** Schedule 4 includes the purchase by the labor organization of U.S. Treasury securities, marketable securities, other

investments, and fixed assets, including those fixed assets that were expensed (that is, the cost of the asset was charged to current expenses, rather than entered on the books and periodically depreciated). Include disbursements for mortgages that were purchased on a block basis through a bank or similar institution.

Complete a Schedule 4 Itemization Page for each seller who received \$5,000 or more from the labor organization before filling out the Schedule 4 Detailed Summary Page:

**NOTE:** Labor organizations need not itemize on Schedule 4 Itemization Page marketable securities when the seller is unknown. Marketable securities are those for which current market values can be obtained from published reports of transactions in listed securities or in securities traded "over the counter," such as corporate stocks and bonds, stock and bond mutual funds, state and municipal bonds, and foreign government securities. Instead enter on Line (3) of the Schedule 4 Detailed Summary Page the total amount from such purchases.

**Column (A):** Enter the name and mailing address of the seller of the investments or fixed assets to the labor organization.

**Column (B):** Enter a general description of the type of investment or fixed asset purchased, such as U.S. Treasury securities, stocks, bonds, land, automobiles, etc. If land or buildings were purchased, enter the location of the property, including the street address, if appropriate.

**Column (C):** Enter the date of the purchase.

**Column (D):** Enter the gross purchase price of each type of investment (including any transaction costs) or fixed asset described in Column (B).

**Column (E):** Enter the value at which the



investment or fixed asset was entered on the labor organization's books. If assets were traded in on assets purchased, answer Item 15 (Acquisition or Disposition of Assets) "Yes," and provide in Item 69 the cost, book value, and trade-in allowance in accordance with the instructions for Item 15.

**Column (F):** Enter the total amount disbursed for each type of investment or fixed asset purchased during the reporting period. Do not include any unpaid balance that must be reported in Schedule 9 (Loans Payable) or Item 32 (Mortgages Payable) of Statement A.

The software will enter on Line (G), Columns (D) through (F) the total of Columns (D) through (F).

The software will enter on Line (H), Columns (D) through (F), the totals from any continuation pages for this seller.

The software will add Lines (G) and (H), Columns (D) through (F) and enter the total on Line (I), Columns (D) through (F).

Enter on Line (J), Column (F), the total of all non-itemized transactions with this seller (that is, all individual disbursements of less than \$5,000 each).

The software will add Lines (I) and (J), Column (F) and enter the total on Line (K).

The software will add the amounts in Line (I), Column (F) of each Schedule 4 Itemization Page, and enter the total on Line (1) of the Schedule 4 Detailed Summary Page.

The software will add the amounts in Line (J), Column (F) of each Schedule 4 Itemization Page, and enter the total on Line (2) of the Schedule 4 Detailed Summary Page.

Enter on Line (3) of the Schedule 4 Detailed Summary Page the total of all disbursements for purchases of investments and fixed assets from other

sellers. This is the total from your organization's books of all disbursements to sellers of less than \$5,000.

The software will add Lines (1) through (3) and enter the total on Line (4).

**Prompt Reinvestments:** Enter on Line (5) of the Schedule 4 Detailed Summary Page the total amount of the sale or redemption of U.S. Treasury securities, marketable securities, or other investments that was promptly reinvested (i.e. "rolled over") in U.S. Treasury securities, marketable securities, or other investments during the reporting period. Calculate the total amount reinvested by adding, for each investment, the lower of each investment's original cost or the amount received from the sale or redemption that was actually reinvested. If only a portion of the amount received was reinvested, only the reinvested portion may be included on Line (5). Interest and dividends received during the reporting period must be reported on Schedules 18 (Interest) and 19 (Dividends). The total on Line (5) must agree with the amount reported on Line (5) of Schedule 3 (Sale of Investments and Fixed Assets).

The software will subtract Line (5) from Line (4) and enter the difference on Line (6) and in Item 60 (Purchase of Investments and Fixed Assets) of Statement B.

#### **SCHEDULE 5 – INVESTMENTS OTHER THAN U.S. TREASURY SECURITIES —**

Report details of all the labor organization's investments at the end of the reporting period, other than U.S. Treasury securities. Include mortgages purchased on a block basis and any investments in a trust as defined in Section X (Trusts in Which a Labor Organization is Interested) of these instructions. Do not include savings accounts, certificates of deposit, or money market accounts, which must be reported in Item 22 (Cash) of Statement A.

**Line 1:** Enter in Column (B) the total cost of all the labor organization's marketable securities including transaction costs such as brokerage commissions. Marketable securities are those for which current market values can be obtained from published reports of transactions in listed securities or in securities traded "over the counter," such as corporate stocks and bonds, stock and bond mutual funds, state and municipal bonds, and foreign government securities.

**Line 2:** Enter in Column (B) the total book value of all the labor organization's marketable securities. Book value is the lower of cost or market value.

**Line 3:** List in Column (A) each marketable security that has a book value over \$5,000 and exceeds 5% of the total book value entered on Line 2 and enter its book value in Column (B).

The software will enter on Line 3(d) the total from any continuation pages.

**Line 4:** Enter the total cost, including any transaction costs, of all the labor organization's other investments (that is, those that are not U.S. Treasury securities or marketable securities). Include mortgages purchased on a block basis.

**Line 5:** Enter the total book value of such other investments. Book value is the lower of cost or market value.

**Line 6:** List in Column (A) each other investment that has a book value over \$5,000 and exceeds 5% of the total book value entered on Line 5 and enter its book value in Column (B).

**NOTE:** All trusts in which the labor organization is interested which are investments of the labor organization (such as real estate trusts, building corporations, etc.) must be reported in Schedule 5. On Lines 6(a) through (d) enter the name of each trust in Column (A) and the labor organization's share of its book value in Column (B).

The software will enter on Line 6(e) the total from any continuation pages.

**Line 7:** The software will add Lines 2 and 5 and enter the total on Line 7 and in Item 26 (Investments), Column (B) of Statement A.

#### **SCHEDULE 6 – FIXED ASSETS —**

Report details of all fixed assets, such as land, buildings, automobiles and other vehicles, and office furniture and equipment owned by the labor organization at the end of the reporting period. Land and buildings must be itemized, whereas automobiles and other vehicles, and office furniture and equipment should be aggregated. Include fixed assets that were expensed (that is, the cost of the asset was charged to current expenses, rather than entered on the books and periodically depreciated), fully depreciated, or carried on the labor organization's books at scrap value or other nominal value.

**Column (A):** Enter on Line 1 the location of any land and on Line 3 the location of any buildings owned by the labor organization. Use continuation pages if the labor organization owns multiple parcels or buildings.

**Column (B):** Enter the cost or other basis of the fixed assets listed in Column (A). The software will enter the totals from any continuation pages.

**Column (C):** Enter the accumulated depreciation, if any, of the fixed assets (except land) listed in Column (A) whose cost or other basis is reported in Column (B). The software will enter the totals from any continuation pages. If the labor organization "expenses" fixed assets, also include in Column (C) the amount that the labor organization charged to expenses when the assets were purchased.

**Column (D):** Enter the amount at which the fixed assets listed in Column (A) are carried on the labor organization's books.

The software will enter the totals from any continuation pages. Include the nominal amount, if any, at which fully depreciated assets are carried on the labor organization's books. The amount reported in Column (D) should be the difference between Columns (B) and (C).

**Column (E):** Enter the fair market value of land and of all assets listed in Column (A) that were expensed, fully depreciated, or depreciated to scrap value or nominal value, including totals from any continuation pages. It is not necessary to secure a formal appraisal of the assets; a good faith estimate is sufficient. The value used for insurance purposes or for tax appraisals, for example, will normally be acceptable as representing the fair market value. The software will enter the totals from any continuation pages.

The software will add Lines 1 through 7 for each of Columns (B) through (E), and enter the totals on Line 8. The software will enter the total from Line 8, Column (D) in Item 27 (Fixed Assets), Column (B) of Statement A.

#### **SCHEDULE 7 – OTHER ASSETS —**

Report details of all the labor organization's assets at the end of the reporting period other than Item 22 (Cash), Item 23 (Accounts Receivable), Item 24 (Loans Receivable), Item 25 (U.S. Treasury Securities), Item 26 (Investments), and Item 27 (Fixed Assets).

The labor organization's other assets must be described in Column (A) and may be classified by general groupings or bookkeeping categories, such as utility deposits, inventory of supplies for resale, or travel advances that are not required to be reported as loans as explained in the instructions for Schedule 2 (Loans Receivable), if the description is sufficient to identify the type of assets. Enter in Column (B) the value as shown on the labor organization's books of each asset or group of assets described in Column (A).

**NOTE:** If the labor organization has an ownership interest of a non-investment nature in a trust in which it is interested the value of the labor organization's ownership interest in the entity as shown on the labor organization's books must be reported in Schedule 7 (Other Assets). Enter in Column (A) the name of any such entity. Enter in Column (B) the value as shown on the labor organization's books of its share of the net assets of any such entity.

The software will enter on Line 14 the total from any continuation pages, add Lines 1 through 14, and enter the total on Line 15 and in Item 28 (Other Assets), Column (B) of Statement A.

#### **SCHEDULE 8 – ACCOUNTS PAYABLE AGING SCHEDULE –**

The labor organization must report 1) individual accounts that are valued at \$5,000 or more and that are 90 days or more past due at the end of the reporting period or were liquidated, reduced or written off during the reporting period; and 2) the total aggregated value of all other accounts.

**Column (A):** Enter on Lines 1 through 24 the name of any entity or individual with which the labor organization has an account payable of \$5,000 or more that is 90 days or more past due at the end of the reporting period or that was liquidated, reduced or written off during the reporting period without the disbursement of cash sufficient to cover the total value of the account payable.

**Column (B):** Enter on Lines 1 through 24 the total amount of money owed by the labor organization to the entity or individual at the end of the reporting period. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed by the labor organization in all other accounts payable not required to be reported above. The software will add Lines 26 and 27 and

enter the total on Line 28. The software will enter the total from Line 28, Column (B) in Item 30, Column (D) of Statement A.

**Column (C):** Enter on Lines 1 through 24 the total amount of money owed by the labor organization to the entity or individual at the end of the reporting period that is 90 to 180 days past due. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed by the labor organization in all other accounts payable (those of less than \$5,000) that are 90 to 180 days past due. The software will add Lines 26 and 27 and enter the total on Line 28.

**Column (D):** Enter on Lines 1 through 24 the total amount of money owed by the labor organization to the entity or individual at the end of the reporting period that is more than 180 days past due. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed by the labor organization in all other accounts payable (those of less than \$5,000) that are more than 180 days past due. The software will add Lines 26 and 27 and enter the total on Line 28.

**Column (E):** Enter on Lines 1 through 24 the total amount of money owed by the labor organization to the entity or individual that was written off during the reporting period by the reporting labor organization without the disbursement of cash sufficient to cover the total value of the account payable. The software will enter on Line 25 the total from any continuation pages, add Lines 1 through 25, and enter the total on Line 26. Enter on Line 27 the total amount of money owed by the labor organization in all other accounts payable (those of less than \$5,000) that was written off during the reporting period by the reporting labor organization without the disbursement of cash sufficient to cover the total value of

the account payable. The software will add Lines 26 and 27 and enter the total on Line 28.

Provide in Item 69 (Additional Information) all details and circumstances in connection with the writing off of the account payable, including the reason and amount.

#### **SCHEDULE 9 – LOANS PAYABLE —**

Report details of all loans payable on which the labor organization owed money at any time during the reporting period except those secured by mortgages or similar liens on real property (land or buildings) that must be reported in Item 32 (Mortgages Payable) of Statement A.

**Column (A):** Enter on Lines 1 through 11 (and on continuation pages, if necessary) the name of each business enterprise to which a loan was payable. Also list the source of all other loans by general categories, such as labor organizations, individuals, etc.

**Column (B):** For each loan source listed in Column (A), enter the amount, if any, owed by the labor organization at the start of the reporting period. The software will enter on Line 12 the total from any continuation pages, add Lines 1 through 12, and enter the total on Line 13 and in Item 31 (Loans Payable), Column (C) of Statement A.

**Column (C):** For each loan source listed in Column (A), enter the amount, if any, obtained by the labor organization during the reporting period. The software will enter on Line 12 the total from any continuation pages. If, due to discounting by a bank or for any other reason, the amount received from a loan was less than the face value of the note or the amount repayable, enter the amount actually received and explain in Item 69 (Additional Information). The software will add Lines 1 through 12 and enter the total on Line 13 and in Item 44 (Loans Obtained) of Statement B.

**Columns (D)(1) and (D)(2):** For each loan source listed in Column (A), enter the amount, if any, that the labor organization repaid to the lender during the reporting period. Report only repayments of principal; interest paid must be reported in Schedule 18 (General Overhead). Use Column (D)(1) to report repayments made in cash. Use Column (D)(2) to report repayments made in a manner other than by cash, such as repayments made to a creditor by offsetting an amount owed by the creditor to the labor organization. The software will enter on Line 12 the totals from any continuation pages; add Lines 1 through 12, Columns (D)(1) and (D)(2); and enter the totals on Line 13. The software will enter the total from Line 13, Column (D)(1) in Item 62 (Repayment of Loans Obtained) of Statement B. Explain in Item 69 (Additional Information) any non-cash amounts reported in Column (D)(2).

**Column (E):** For each loan source listed in Column (A), enter the balance, if any, that the labor organization owed the listed lender at the end of the reporting period. The software will enter on Line 12 the total from any continuation pages. If any loans payable were written off during the reporting period, the reason and amount must be reported in Item 69 (Additional Information). The software will add Lines 1 through 12 and enter the total on Line 13 and in Item 31 (Loans Payable), Column (D) of Statement A.

**SCHEDULE 10 – OTHER LIABILITIES —** Report details of all the labor organization's liabilities at the end of the reporting period other than Item 30 (Accounts Payable), Item 31 (Loans Payable), and Item 32 (Mortgages Payable) of Statement A.

Any portion of withheld taxes or any other payroll or other deductions, which have not been transmitted at the end of the reporting period, are liabilities of the labor organization and must be reported in Schedule 10. Payroll or other deductions that are retained by the labor organization

(such as repayments of loans to officers or employees) must be fully explained in Item 69 (Additional Information).

The labor organization's other liabilities must be described in Column (A) and may be classified by general groupings or bookkeeping categories if the description is sufficient to identify the type of liability. List separately any payroll taxes withheld but not yet paid, other unpaid payroll taxes of the labor organization, such as FICA taxes, and any funds collected on behalf of affiliates or members and not disbursed by the end of the reporting period. Do not include reserves for special purposes (for example, "Reserve for Building Fund") that are actually an allocation of certain assets for specific purposes rather than a liability.

Enter in Column (B) the amount of each liability described in Column (A). The software will enter on Line 13 the total from any continuation pages, add Lines 1 through 13, and enter the total on Line 14 and in Item 33 (Other Liabilities), Column (D) of Statement A.

**SCHEDULE 11 – ALL OFFICERS AND DISBURSEMENTS TO OFFICERS —** List all the labor organization's officers and report all salaries and other direct and indirect disbursements to officers during the reporting period. Also report the percentage of time spent by each officer in the categories provided.

**NOTE:** A "direct disbursement" to an officer is a payment made by the labor organization to the officer in the form of cash, property, goods, services, or other things of value.

An "indirect disbursement" to an officer is a payment made by the labor organization to another party for cash, property, goods, services, or other things of value received by or on behalf of the officer. "On behalf of the officer" refers to a payment received by a party other than the officer or the labor organization for the personal interest or benefit of the officer. Such payments

include those made through a credit arrangement under which charges are made to the account of the labor organization and are paid by the labor organization. For example, when a union, through its credit arrangements, is billed directly and pays the hotel bills of an officer who, during his workweek, resides at a hotel in the city where the union headquarters is located away from his legal residence in another city, the payments must be reported as disbursements to the officer.

**Column (A):** Enter in (A) the last name, first name, and middle initial of each person who held office in the labor organization at any time during the reporting period. Include all the labor organization's officers whether or not any salary or other disbursements were made to them or on their behalf by the labor organization. "Officer" is defined in section 3(n) of the LMRDA (29 U.S.C. 402) as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body."

**Column (B):** Enter in (B) the title of the position each officer listed held during the reporting period. If an officer held more than one position during the reporting period, list each additional position and the dates on which the officer held the position in Item 69 (Additional Information).

**Column (C):** Use the drop-down menu to select the status of each officer: "N" for a new officer who took office during the reporting period; "P" for a past officer who was not in office at the end of the reporting period; or "C" for a continuing officer who was in office before the reporting period and was still in office at the end of the reporting period. If any officer was not elected at a regular election in accordance with the labor organization's constitution and bylaws or

other governing documents on file with OLMS, explain the manner in which the officer was chosen in Item 69 (Additional Information).

**Column (D):** Enter the gross salary of each officer (before tax withholdings and other payroll deductions). Include disbursements for "lost time" or time devoted to union activities.

**Column (E):** Enter the total allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis. Do not include allowances paid on the basis of mileage or meals which must be reported in Column (G) or (H), as applicable.

**Column (F):** Enter all direct or indirect disbursements for benefits made to or on behalf of each officer. Benefit disbursements include, for example, disbursements for life insurance, health insurance, and pensions.

**NOTE:** In the rare instance where a labor organization, in good faith and on reasonable grounds, believes that a particular disbursement would reveal individually identifiable health information of the kind required to be protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA), violate a federal or state law, or violate a confidential settlement agreement, it should not enter the disbursement in Schedule 11. The disbursement should be reported in Schedule 29 (Benefits) and the labor organization should report in Item 69 (Additional Information) that a disbursement was excluded from Column (F) of Schedule 11.

**Column (G):** Enter all direct and indirect disbursements to each officer that were necessary for conducting official business of the labor organization, except salaries, allowances, and benefits which must be reported in Columns (D), (E), and (F), respectively.

Examples of disbursements to be reported

in Column (G) include all expenses that were reimbursed directly to an officer, meal allowances and mileage allowances, expenses for officers' meals and entertainment, and various goods and services furnished to officers but charged to the labor organization. Such disbursements should be included in Column (G) only if they were necessary for conducting official business; otherwise, report them in Column (H). Also include in Column (G) travel advances that are not considered loans as explained in the instructions for Schedule 2 (Loans Receivable).

**NOTE:** Where a labor organization has paid directly for hotel room charges on behalf of numerous officers and did not receive an itemized bill, but instead received a total charge for all rooms used, the labor organization should divide the cost among those officers.

Do not report the following disbursements in Schedule 11:

- Reimbursements to an officer for the purchase of investments or fixed assets, such as reimbursing an officer for a file cabinet purchased for office use, which must be reported in Schedule 4 (Purchase of Investments and Fixed Assets) and explained in Item 69 (Additional Information);
- Disbursements made by the labor organization to someone other than an officer as a result of transactions arranged by an officer in which property, goods, services, or other things of value were received by or on behalf of the labor organization rather than the officer, such as rental of offices and meeting rooms, purchase of office supplies, refreshments and other expenses of membership banquets or meetings, and food and refreshments for the entertainment of groups other than the officers and membership on official business;
- Office supplies, equipment, and facilities

furnished to officers by the labor organization for use in conducting official business; and

- Maintenance and operating costs of the labor organization's assets, including buildings, office furniture, and office equipment; however, see "Special Rules for Automobiles" below.

**Column (H):** Enter all other direct and indirect disbursements to each officer. Include all disbursements for which cash, property, goods, services, or other things of value were received by or on behalf of each officer and were essentially for the personal benefit of the officer and not necessary for conducting official business of the labor organization.

Include in Column (H) all disbursements for transportation by public carrier between the officer's home and place of employment or for other transportation not involving the conduct of official business. Also, include the operating and maintenance costs of all the labor organization's assets (automobiles, etc.) furnished to officers essentially for the officers' personal use rather than for use in conducting official business.

Do not include in Column (H) loans to officers, which must be reported in Schedule 2 (Loans Receivable) or disbursements for benefits to officers, which must be reported in Column F (Benefits).

**Column (I):** The software will add Columns (D) through (H) of each line and enter the totals in Column (I).

The software will enter on Line 6 the totals from any continuation pages for Schedule 11.

The software will enter the totals of Lines 1 through 6 for each Column (D) through (I) on Line 7.

Enter on Line 8 the total amount of withheld taxes, payroll deductions, and all

other deductions. The software will subtract Line 8 from Line 7, Column (I), and enter the difference on Line 9.

**Line (J):** Enter the estimated percentage of time spent by the officer on activities that fall within Schedules 24 through 28 in the box next to that schedule. You may round to the nearest 10%. When the time reported by an individual in an activity is less than 5% of his or her total work time, the officer's best estimate to the nearest percentage should be reported rather than rounding to zero. The total must equal 100%. It is understood that these figures may be imprecise. For instance, the president of an intermediate body may spend four months working intensely on a multi-state contract negotiation, two months lobbying against a state referendum, two more months on a contentious organizing drive, and throughout these activities he had to keep up with his other duties as president. The president's good-faith estimate might be to report 50% on Schedule 24 – Representational Activities, 17% on Schedule 25 – Political Activities and Lobbying, 3% on Schedule 26 – Contributions, Gifts, and Grants, and 30% on Schedule 28 – Union Administration. The example is not intended to be a representation of a typical allocation of time but it should be used to help understand the rationale that should be employed when making these determinations.

Using these percentages, the software will aggregate the amount of total disbursements (Column (I)) allocated to each schedule for every officer and enter the total on Line 3 of the Detailed Summary Page for Schedules 24-28.

#### **SPECIAL RULES FOR AUTOMOBILES**

Include in Column (H) of Schedule 11 that portion of the operating and maintenance costs of any automobile owned or leased by the labor organization to the extent that the use was for the personal benefit of the officer to whom it was assigned. This

portion may be computed on the basis of the mileage driven on official business compared with the mileage for personal use. The portion not included in Column (H) must be reported in Column (G).

Alternatively, rather than allocating these operating and maintenance costs between Columns (G) and (H), if 50% or more of the officer's use of the vehicle was for official business, the labor organization may enter in Column (G) all disbursements relative to that vehicle with an explanation in Item 69 (Additional Information) indicating that the vehicle was also used part of the time for personal business. Likewise, if less than 50% of the officer's use of the vehicle was for official business, the labor organization may report all disbursements relative to the vehicle in Column (H) with an explanation in Item 69 indicating that the vehicle was also used part of the time on official business.

The amount of decrease in the market value of an automobile used over 50% for the personal benefit of an officer must also be reported in Item 69.

**SCHEDULE 12 – DISBURSEMENTS TO EMPLOYEES** — Report all direct and indirect disbursements to employees of the labor organization during the reporting period. Also report the percentage of time spent by each employee in the categories provided.

Include disbursements to individuals other than officers who receive lost time payments even if the labor organization does not otherwise consider them to be employees or does not make any other direct or indirect disbursements to them. The definitions of "direct disbursements" and "indirect disbursements" are the same as the definitions stated above in Schedule 11.

**Column (A):** Enter the last name, first name, and middle initial of each employee who during the reporting period received more than \$10,000 in gross salaries,



allowances, and other direct and indirect disbursements from the labor organization or from the labor organization and any affiliates and/or trusts of the labor organization. ("Affiliates" means labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relation of parent and subordinate.) The labor organization's report, however, should not include disbursements made by affiliates or trusts but should include only the disbursements made by the labor organization.

**Column (B):** Enter the position each listed employee held in the labor organization.

**Column (C):** Enter the name of any affiliate or trust that paid any salaries, allowances, or expenses on behalf of a listed employee.

**Columns (D) through (H):** To complete Columns (D) through (H), follow the instructions for Columns (D) through (H) of Schedule 11.

Enter on Line 6, Columns (D) through (H) the totals of all gross salaries, allowances, benefits and other disbursements for all employees of the labor organization not required to be listed above.

The software will enter on Line 7 the totals from any continuation pages for Schedule 12.

The software will add Columns (D) through (H) for each of Lines 1 through 7, enter the totals in Column (I), and allocate the totals in Column (I) to Schedules 24 through 28 in accordance with the percentages you enter in Line (J) as described in Schedule 11. The software will enter the totals on Line 4 of the appropriate schedule on the Detailed Summary Page for Schedules 24 - 28.

The software will enter the totals of Lines 1 through 7 for each Column (D) through (I) on Line 8.  
Enter on Line 9 the total amount of

withheld taxes, payroll deductions, and all other deductions. The software will subtract Line 9 from Line 8, Column (I), and enter the difference on Line 10.

**SCHEDULE 13 – MEMBERSHIP STATUS INFORMATION—** Enter in Column (A) the categories of membership tracked by the reporting labor organization. Define each category of membership in Item 69 (Additional Information). The definition should include a description of the members covered by the category and indicate whether the members pay full dues.

In Column (B) enter the number of members for each of the membership categories listed in Column (A).

**Members (Line 8) –** The software will enter the total of all members of the labor organization (Total of Lines 1 through 7) on Line 8 and in Item 20 (Number of Members).

**Agency Fee Paying Nonmembers (Line 9) –** Agency fee paying nonmembers are those who make payments in lieu of dues to the reporting labor organization as a condition of employment under a union security provision in a collective bargaining agreement.

**Total Members/Fee Payers (Line 10) –** The software will enter the total of Lines 8 and 9, which will include all members and agency fee payers. The total in Column (B) is not the total number of members of the labor organization.

Check the "Yes" box in Column (C) if the category of membership listed in Column (A) is generally eligible to vote in all union elections held by the labor organization. Describe in Item 69 (Additional Information) any voting restrictions that apply to a category in Column (A).

## **SCHEDULES 14 THROUGH 28**

Schedules 14 through 28 provide detailed information on the financial operations of

the labor organization in categories that reflect the services provided to union members. Receipts and disbursements are allocated to Schedules 14 through 28 and are either listed as individual entries or as aggregated entries. **Note that before completing the Detailed Summary Page for Schedules 14 through 28, you must complete Schedule 14, Schedule 15, and the itemization pages as described below.**

#### Allocating Receipts

Each receipt of the labor organization must be allocated to one of the receipt items in Statement B. All of these items have supporting schedules in which any "major" receipts during the reporting period must be separately identified. A "major" receipt includes: 1) any individual receipt of \$5,000 or more; or 2) total receipts from any single entity or individual that aggregate to \$5,000 or more during the reporting period. All other receipts in these schedules are aggregated. This process is discussed further below.

#### Allocating Disbursements

Each disbursement of the labor organization must be allocated to one of the disbursement items in Statement B. Some of these items have supporting schedules that require more detailed information. Schedules 24 through 28 reflect various services provided to union members by the union in which all "major" disbursements during the reporting period in the various categories must be separately identified. A "major" disbursement includes: 1) any individual disbursement of \$5,000 or more; or 2) total disbursements to any single entity or individual that aggregate to \$5,000 or more during the reporting period. All other disbursements in these schedules are aggregated.

All disbursements, other than those reported elsewhere in Statement B, must be allocated to Schedules 24 through 28, as appropriate.

**Example 1:** If the labor organization received a settlement of \$4,999 in a small claims lawsuit, the receipt would not be individually identified, as long as the settlement was the only receipt from the entity or individual during the reporting period. The receipt would be aggregated with other small receipts in Line 3 of Schedule 23 (Other Receipts) on the Detailed Summary Page as discussed below.

**Example 2:** If the labor organization made three payments of \$1,800 each to an office supplies vendor for office supplies used by employees engaged in contract negotiations during the reporting period, a single disbursement to the vendor of \$5,400 would be listed in Line 1 on an Initial Itemization Page for that vendor for Schedule 24 (Representational Activities) as discussed below.

**Example 3:** If a union pays a total of \$5,500 to a printing company during the reporting year and determines that \$5,050 should be allocated to organizing costs, that amount must be identified in an Initial Itemization Page for the printing company for Schedule 24 (Representational Activities). If the remaining \$450 paid to the same printer over the course of the year was attributable to charitable expenses, that amount will be reported in Line 5 of Schedule 26 (Contributions, Gifts, and Grants) on the Detailed Summary Page but the printer need not be identified as a recipient of any funds expended for Contributions, Gifts, and Grants, since the total paid to the printer during the reporting year for services related to Contributions, Gifts, and Grants did not exceed \$5,000.

**Example 4:** The labor organization has an ongoing contract with a law firm that provides a wide range of legal services. The labor organization makes a single payment of \$10,000 each month to the law firm. In a particular month the law firm spent 50% of its time on contract negotiation litigation and 50% on lobbying

for the enactment of, a new Federal law. The labor organization must allocate the payment for that month as two distinct disbursements of \$5,000 each to Schedule 24 (Representational Activities) and Schedule 25 (Political Activities and Lobbying).

Procedures for Completing Schedules 14 Through 28.

Before completing the Detailed Summary Page for Schedules 14 through 28, complete Schedule 14, Schedule 15, and an Itemization Page for each payer/payee for whom there is (1) an individual receipt/disbursement of \$5,000 or more or (2) total receipts/disbursements that aggregate to \$5,000 or more during the reporting period. Do not complete an Itemization Page for disbursements to officers or employees because these disbursements are reported in Lines 3 and 4 of the Detailed Summary Page. A separate set of continuation pages must be used for each receipt and disbursement schedule.

Enter in Column (A) the full name and mailing address of the entity or individual from which the receipt was received or to which the disbursement was made. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably attain the full address, the city and state are sufficient.

Enter in Column (B) the type of business or job classification of the entity or individual, such as printing company, office supplies vendor, lobbyist, think tank, marketing firm, legal counsel, etc.

Enter in Column (C) the purpose of each individual receipt/disbursement for that payee/payer of \$5,000 or more, which means a brief statement or description of the reason the receipt/disbursement was made. Examples of adequate descriptions include the following: preparing organizing campaign pamphlets, staffing a help desk, opposition research, litigation regarding

representation issues, litigation regarding a refusal to bargain charge, grievance arbitration, get-out-the-vote, voter education, advocating or opposing legislation, job retraining, etc.

Enter in Column (D) the date that the receipt/disbursement was made. The format for the date must be mm/dd/yyyy. The date of receipt/disbursement for reporting purposes is the date the labor organization actually received or disbursed the money.

Enter in Column (E) the amount of the receipt/disbursement.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation pages for this payee/payer.

The software will enter in Line (H) the total of all itemized transactions with this payee/payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized transactions for the payee/payer (that is, all individual transactions of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payee/payer for this schedule (the sum of Lines (H) and (I)).

Special Instructions for Reporting Credit Card Disbursements

Disbursements to credit card companies may not be reported as a single disbursement to the credit card company as the vendor. Instead, charges appearing on credit card bills paid during the reporting period must be allocated to the recipient of the payment by the credit card company according to the same process as described above.

The Department recognizes that filers will not always have the same access to information regarding credit card payments as with other transactions. Filers should report all of the information required in the itemization schedules that is available to the union.

For instance, in the case of a credit card transaction for which the receipt(s) and monthly statement(s) do not provide the full legal name of a payee and the union does not have access to any other documents that would contain the information, the union should report the name as it appears on the receipt(s) and statement(s). Similarly, if the receipt(s) and statement(s) do not include a full street address, the union should report as much information as is available and no less than the city and state.

Once these transactions have been incorporated into the union's recordkeeping system they can be treated like any other transaction for purposes of assigning a description and purpose.

In instances when a credit card transaction is canceled and the charge is refunded in whole or part by entry of a credit on the credit card statement, the charge should be treated as a disbursement, and the credit should be treated as a receipt. In reporting a credit of \$5,000 or more as a receipt, Column (C) must indicate that the receipt was in refund of a disbursement, and must identify the disbursement by date and amount.

#### Special Procedures for Reporting Confidential Information

Filers may use the procedure described below to report the following types of information:

- Information that would identify individuals paid by the union to work in a non-union bargaining unit in order to assist the union in organizing employees, provided that such

individuals are not employees of the union who receive more than \$10,000 in the aggregate in the reporting year from the union. Employees receiving more than \$10,000 must be reported on Schedule 12 – Disbursements to Employees;

- Information that would expose the reporting union's prospective organizing strategy. The union must be prepared to demonstrate that disclosure of the information would harm an organizing drive. Absent unusual circumstances, information about past organizing drives should not be treated as confidential;
- Information that would provide a tactical advantage to parties with whom the reporting union or an affiliated union is engaged or will be engaged in contract negotiations. The union must be prepared to demonstrate that disclosure of the information would harm a contract negotiation. Absent unusual circumstances information about past contract negotiations should not be treated as confidential;
- Information pursuant to a settlement that is subject to a confidentiality agreement, or that the union is otherwise prohibited by law from disclosing, or that would reveal individually identifiable health information of the kind required to be protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA); and,
- Information in those situations where disclosure would endanger the health or safety of an individual.

With respect to these specific types of information, if the reporting union can demonstrate that itemized disclosure of a specific major receipt or disbursement, or aggregated receipt or disbursement would be adverse to the union's legitimate interests, the union may include the

receipt or disbursement in Line 3 of Summary Schedule 23 (Other Receipts) or in Line 5 of Summary Schedules 24 (Representational Activities) or 28 (Union Administration). In Item 69 (Additional Information) the union must identify each schedule from which any itemized receipts or disbursements were excluded because of an asserted legitimate interest in confidentiality based on one of the first three reasons listed above. No notation need be made for exclusion of information disclosure of which is prohibited by law or that would endanger the health or safety of an individual. The notation must describe the general types of information that were omitted from the schedule, but the name of the payer/payee, date, and amount of the transaction(s) is not required. This procedure may not be used for Schedules 25 through 27.

**NOTE:** The special procedures for reporting confidential information may not be utilized with regard to "job targeting" disbursements, or other disbursements serving the same purpose, such as "industry advancement" or "market recovery" disbursements.

A union member, however, has the statutory right "to examine any books, records, and accounts necessary to verify" the union's financial report if the member can establish "just cause" for access to the information. 29 U.S.C. 431(c); 29 U.S.C. CFR 403.8 (2002). Any exclusion of itemized receipts or disbursements from Schedules 23, 24, or 28 for one of the first three reasons listed above would constitute a *per se* demonstration of "just cause" for purposes of this Act. Consequently, any union member (and the Department), upon request, has the right to review the undisclosed information that otherwise would have appeared in the applicable schedule if the union withholds the information in order to protect confidentiality interests.

Information that is withheld from full disclosure is not subject to the *per se* disclosure rule if its disclosure would

consist of individually identifiable health information of the kind required to be protected under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) privacy regulation, violate state or federal law, violate a non-disclosure provision of a settlement agreement, or endanger the health or safety of an individual.

**NOTE:** Filers should not include social security or bank account numbers in completing the form.

#### Procedures for Completing the Detailed Summary Page

The Detailed Summary Page is used to summarize Schedules 14 through 28.

For Summary Schedules 14 and 15, the software will enter in Line 1 the total of all receipts during the reporting period from the named payers. This is the amount entered in Line (H) of Schedule 14 and Schedule 15.

The software will enter in Line 2 the total of all other receipts during the reporting period. This is the amount entered in Line (I) of Schedule 14 and Schedule 15. This is the total from your organization's books of all receipts during the reporting period relating to this schedule from payers who did not have receipts that aggregated \$5,000 or more and receipts for payments made directly by individual members.

The software will enter in Line 3 the total of Lines 1 and 2 and forward this total to the appropriate line item of Statement B. This total is also reflected in Line (J) of Schedule 14 and Schedule 15.

For Summary Schedules 16 – 23, the software will enter in Line 1 the total of all itemized receipts during the reporting period from named payers. This is the sum of the amounts entered in Line (H) on all Itemization Pages for the schedule.

The software will enter in Line 2 the total of all non-itemized receipts from named

payers. This is the sum of the amounts entered in Line (I) on all Itemization Pages for the schedule.

Enter in Line 3 the total of all other receipts during the reporting period relating to the schedule. This is the total from your organization's books of all receipts during the reporting period relating to this schedule for payers who did not have a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more.

The software will enter in Line 4 the total of Lines 1 through 3 and forward this total to the appropriate line item of Statement B.

For Summary Schedules 24 - 28, the software will enter in Line 1 the total of all itemized disbursements during the reporting period to named vendors. This is the sum of the amounts entered in Line (H) on all Itemization Pages for the schedule.

The software will enter in Line 2 the total of all non-itemized disbursements to named vendors. This is the sum of the amounts entered in Line (I) on all Itemization Pages for the schedule.

The software will enter in Line 3 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 11.

The software will enter in Line 4 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12.

Enter in Line 5 the total of all other disbursements during the reporting period relating to the schedule. This is the total from your organization's books of all disbursements during the reporting period relating to this schedule for payees who

did not have a single disbursement of \$5,000 or more or disbursements that aggregated \$5,000 or more.

The software will enter in Line 6 the total of Lines 1 through 5 and forward this total to the appropriate line item of Statement B.

For example, if in Schedule 24 (Representational Activities) a labor organization has \$200,000 in itemized disbursements of \$5,000 or more to vendors, \$35,000 in non-itemized disbursements of less than \$5,000 each to those vendors, \$100,000 in salary disbursements to officers, \$50,000 in salary disbursements to employees, and \$7,000 in disbursements to vendors who did not receive a major disbursement for representational activities, then the software will enter \$200,000 in Line 1, \$35,000 in Line 2, \$100,000 in Line 3, \$50,000 in Line 4, and the filer will enter \$7,000 in Line 5 of Schedule 24 on the Detailed Summary Page. The total of Lines 1 through 5 is \$392,000, which the software will enter in Line 6 of the summary schedule and Item 50 (Representational Activities) of Statement B.

**SCHEDULE 14 – DUES AND AGENCY FEES [Note: Do not use the Itemization Pages for Schedule 14. Instead use the separate Schedule 14] –** Report the labor organization's receipts from all dues and agency fees including regular dues, working dues, etc. received by the labor organization during the reporting year. Include dues received directly by the organization from members, dues received from employers through a check-off arrangement, and dues transmitted to the organization by a parent body or other affiliate. Report the full dues received, including any portion that will later be transmitted to an intermediate or parent body as per capita tax. Also report payments in lieu of dues received from any nonmember employees as a condition of employment under a union security provision in a collective bargaining

**agreement.**

If an intermediate or parent body receives dues checkoff directly from an employer on behalf of the reporting organization, do not report in Schedule 14 the portion retained by that organization for per capita tax or other purposes, such as a special assessment. Any amounts retained by the intermediate body or parent body other than per capita tax must be explained in Item 69 (Additional Information). For example, if the intermediate body or parent body retained \$500 of the reporting organization's dues checkoff as payment for supplies purchased from that body by the reporting organization, this should be explained in Item 69, but the \$500 should not be reported as a receipt or disbursement on either organization's Form LM-2. If, however, the intermediate body or parent body disbursed part of the reporting organization's dues checkoff on that organization's behalf, this amount should be included on Schedule 14 and in the appropriate disbursement item on the reporting organization's Form LM-2. For example, if the intermediate body or parent body disbursed \$500 of the reporting organization's dues checkoff to an attorney who had provided lobbying services to the reporting organization, this amount should be reported in Schedule 14 and as a disbursement in Schedule 25 (Political Activities and Lobbying) of the reporting organization's Form LM-2.

Do not report on Schedule 14 dues that the reporting organization collected on behalf of other organizations for transmittal to them. For example, if the reporting organization received dues from a member of an affiliate who worked in the reporting organization's jurisdiction, the dues collected on the affiliate's behalf must be reported on Schedule 21.

Enter in Column (A) the full name of the entity from which the union received \$5,000 or more in dues and/or agency fees during the reporting period. Do not abbreviate the name of the entity or

**individual.**

Enter in Column (B) the mailing address of the entity from which the union received \$5,000 or more in dues and/or agency fees during the reporting period. If you do not know and cannot reasonably obtain the full address of the entity, the city and state are sufficient.

**NOTE:** Labor organizations are not required to report an individual member's personal information on this schedule if the dues payment is made directly by the individual member. The payments should be reported in Line (I).

Enter in Column (C) the type of business or job classification of the entity or individual from which the union received \$5,000 or more in dues and/or agency fees during the reporting period.

Enter in Column (D) the purpose of each individual receipt of \$5,000 or more, which means a brief statement or description of why the union received the receipt. The brief statement should include information about what units or jobs were covered by the receipt, and what portion of the receipt is attributed to each unit or job.

Enter in Column (E) the aggregate amount received from the named payer.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the total from any continuation pages. The software will total Line (F) and Line (G) and enter the amount on Line (H) and enter the total on Line 1 of Summary Schedule 14 on the Detailed Summary Page.

Enter in Line (I) the total of all other receipts. That is the total from your organization's books of all receipts relating to this schedule from payers who did not have receipts that aggregated \$5,000 or more and receipts for payments made directly by individual members. The

software will enter the total on Line 2 of Summary Schedule 14 on the Detailed Summary Page.

The software will enter in Line (J) the total of all transactions for this schedule (the sum of Lines (H) and (I)) and enter the total in Line 3 of Summary Schedule 14 on the Detailed Summary Page and in Item 36 (Dues and Agency Fees) of Statement B.

#### **SCHEDULE 15 – PER CAPITA TAX**

**[Note: Do not use the Itemization Pages for Schedule 15. Instead use the separate Schedule 15] – Report the labor organization's receipts from all per capita tax received during the reporting year by your organization if your organization is an intermediate or parent body; otherwise, report nothing in Schedule 15. Report the per capita tax portion of dues received directly by your organization from members of affiliates, per capita tax received from subordinates, either directly or through intermediaries, and the per capita tax portion of dues received through a check-off arrangement whereby local dues are remitted directly to an intermediate or parent body by employers. Do not report dues collected on behalf of subordinate organizations for transmittal to them. For example, if a parent body received dues checkoff directly from an employer and returned the local's portion of the dues, the parent body must report the dues received on behalf of the local on Schedule 21 (Receipts on Behalf of Affiliates for Transmittal to Them).**

Enter in Column (A) the full name of the entity from which the union received \$5,000 or more in per capita taxes during the reporting period. Do not abbreviate the name of the entity.

Enter in Column (B) the mailing address of the entity from which the union received \$5,000 or more in per capita taxes during the reporting period. If you do not know and cannot reasonably obtain the full address of the entity, the city and state are sufficient.

Enter in Column (C) the type of business or job classification of the entity or individual from which the union received \$5,000 or more in per capita taxes during the reporting period.

Enter in Column (D) the purpose of each individual receipt of \$5,000 or more which means a brief statement or description of why the union received the receipt. The brief statement should include information about what units or jobs were covered by the receipt, and what portion of the receipt is attributed to each unit or job.

Enter in Column (E) the aggregate amount received from the named payer.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the total from any continuation pages. The software will total Line (F) and Line (G) and enter the amount on Line (H) and enter the total on Line 1 of Summary Schedule 15 on the Detailed Summary Page.

Enter in Line (I) the total of all other receipts. That is the total from your organization's books of all receipts relating to this schedule from payers who did not provide receipts that aggregated \$5,000 or more and receipts for payments made directly by individual members. The software will enter the total on Line 2 of Summary Schedule 15 on the Detailed Summary Page.

The software will enter in Line (J) the total of all transactions for this schedule (the sum of Lines (H) and (I)) and enter the total in Line 3 of Summary Schedule 15 on the Detailed Summary Page and in Item 37 (Per Capita Tax) of Statement B.

#### **SCHEDULE 16 – FEES, FINES, ASSESSMENTS, AND WORK PERMITS**

– Report the labor organization's receipts from all fees, fines, assessments, and work permits during the reporting year.



Receipts by the labor organization on behalf of affiliates for transmittal to them must be reported on Schedule 21 (Receipts on Behalf of Affiliates for Transmittal to Them).

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in fees, fines, assessments, and work permits during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more in fees, fines, assessments, and work permits during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more, which means a brief statement or description of why the union received the receipt. The brief statement should include information about what units or jobs were covered by the receipt, the time frame covered by the receipt, and what portion of the receipt is attributed to each unit or job.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 16) and enter the total on Line 1 of Summary Schedule 16 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 16) and enter the total on Line 2 of Summary Schedule 16. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 16. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 16 and in Item 38 (Fees, Fines, Assessments, and Work Permits) of Statement B.

#### **SCHEDULE 17 – SALE OF SUPPLIES –**

Report the labor organization's receipts from all sales of supplies during the reporting period, such as union logo clothing, lapel pins, bumper stickers, etc.

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the

union received \$5,000 or more in sales of supplies during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more for the sale of supplies during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more from the payer, which means a brief statement or description of why the union received the receipt.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 17) and enter the total on Line 1 of Summary Schedule 17 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 17) and enter the total on Line 2 of Summary Schedule 17. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 17. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 17 and in Item 39 (Sales of Supplies) of Statement B.

**SCHEDULE 18 – INTEREST** – Report the labor organization's receipt of interest from savings accounts, bonds, mortgages, loans, and all other sources during the reporting period.

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in interest during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business or job classification of the entity or individual from which the union received \$5,000 or more in interest during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more from the payer, which means a brief statement

or description of why the union received the receipt.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 18) and enter the total on Line 1 of Summary Schedule 18 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 18) and enter the total on Line 2 of Summary Schedule 18. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 18. This is the total

from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 18 and in Item 40 (Interest) of Statement B.

**SCHEDULE 19 – DIVIDENDS** – Report the labor organization's receipts from all dividends from stocks and other investments received by the labor organization during the reporting period. Do not include "dividends" from credit unions, savings and loan associations, etc., which must be reported in Schedule 18 (Interest).

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in dividends during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more in dividends during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more from the payer, which means a brief statement or description of why the union received the receipt.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 19) and enter the total on Line 1 of Summary Schedule 19 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 19) and enter the total on Line 2 of Summary Schedule 19. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 19. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 19 and in Item 41 (Dividends) of Statement B.

**SCHEDULE 20 – RENTS** – Report the labor organization's receipts from all rents during the reporting period.

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in rent during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more in rent during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more from the payer, which means a brief statement or description of why the union received the receipt.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 20) and enter the total on Line 1 of Summary Schedule 20 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 20) and enter the total on Line 2 of Summary Schedule 20. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 20. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 20 and in Item 42 (Rents) of Statement B.

**SCHEDULE 21 – RECEIPTS ON BEHALF OF AFFILIATES FOR TRANSMITTAL TO THEM**

– Report the labor organization's receipts from all dues, fees, fines, assessments, and work permit fees received by the labor organization, through a check-off arrangement or otherwise, on behalf of affiliates for transmittal to them. Do not report the receipts withheld by the labor organization for per capita taxes or other purposes, such as loan repayments, which must be reported elsewhere in Statement B. When the receipts reported in Schedule 21 are transmitted, the disbursement must be reported in related Item 63 (To Affiliates of Funds Collected on Their Behalf).

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in receipts during the reporting period. Do not abbreviate the name of the entity or

individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of business or job classification of the entity or individual from which the union received \$5,000 or more in receipts on behalf of affiliates for transmittal to them during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more, which means a brief statement or description of why the union received the receipt. The brief statement should include information about what units or jobs were covered by the receipt, the time frame covered by the receipt, and what portion of the receipt is attributed to each unit or job.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 21) and enter the total on Line 1 of Summary Schedule 21 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 21) and enter the total on Line 2 of Summary Schedule 21. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 21. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 21 and in Item 46 (Receipts On Behalf of Affiliates for Transmittal to Them) of Statement B.

**SCHEDULE 22 – RECEIPTS FROM MEMBERS FOR DISBURSEMENT ON THEIR BEHALF** – Report the labor organization's receipts during the reporting period from members that are specifically designated by them for disbursement on their behalf; for example, contributions from members for transmittal by the labor organization to charities. When receipts that are reported in Schedule 22 are transmitted, the disbursement must be reported in related Item 64 (Disbursements on Behalf of Individual Members).

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the union received \$5,000 or more in receipts during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot

reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more in receipts from members for disbursement on their behalf during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more, which means a brief statement or description of why the union received the receipt. The brief statement should include information about what units or jobs were covered by the receipt, the time frame covered by the receipt, and what portion of the receipt is attributed to each unit or job.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be

reported per page. If the Itemization Page does not provide enough space, the continuation Pages should be used to report additional receipts from the payer.

The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 22) and enter the total on Line 1 of Summary Schedule 22 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 22) and enter the total on Line 2 of Summary Schedule 22. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 22. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 22 and in Item 47 (Receipts From Members for Disbursement on Their Behalf) of Statement B.

#### **SCHEDULE 23 – OTHER RECEIPTS —**

Report the labor organization's receipts from all sources during the reporting period, other than those that must be reported elsewhere in Statement B, such as reimbursements from officers and employees for excess expense payments or travel advances not reported as loans in Schedule 2 (Loans Receivable); receipts from fundraising activities such as raffles, bingo games, and dances; funds received from a parent body, other unions, or the public for strike fund assistance; and receipts from another labor organization which merged into the labor organization.

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual from which the

union received \$5,000 or more in Other Receipts during the reporting period. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual from which the union received \$5,000 or more in Other Receipts during the reporting period.

Enter in Column (C) the purpose of each individual receipt of \$5,000 or more from the payer in sufficient detail to determine why the receipt cannot be allocated to another schedule.

Enter in Column (D) the date that the receipt of \$5,000 or more was received. The format for the date must be mm/dd/yyyy. The date of receipt for reporting purposes is the date the labor organization actually received the money.

Enter in Column (E) the amount of the receipt of \$5,000 or more.

The software will enter in Line (F) the total of all transactions listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payer.

The software will enter in Line (H) the total of all itemized receipts from this payer (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized receipts from this payer (that is, all individual receipts of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with the payer for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payer. Only one payer should be reported per page. If the Itemization Page

does not provide enough space, the continuation Pages should be used to report additional receipts from the payer. The software will add the total amount of itemized receipts from named payers (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 23) and enter the total on Line 1 of Summary Schedule 23 on the Detailed Summary Page. The software will add the total amount of non-itemized receipts from named payers (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 23) and enter the total on Line 2 of Summary Schedule 23. Enter the total amount of all other receipts relating to this schedule from other payers during the reporting period on Line 3 of Summary Schedule 23. This is the total from your organization's books of all receipts relating to this schedule from payers who did not provide a single receipt of \$5,000 or more or receipts that aggregated \$5,000 or more. The software will add Lines 1 through 3 and enter the total on Line 4 of Summary Schedule 23 and in Item 48 (Other Receipts) of Statement B.

#### **SCHEDULE 24 – REPRESENTATIONAL ACTIVITIES**

– Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with preparation for, and participation in, the negotiation of collective bargaining agreements and the administration and enforcement of the agreements made by the labor organization. Do not include strike benefits that must be reported in Item 57 (Strike Benefits) of Statement B. The union must also report disbursements associated with efforts to become the exclusive bargaining representative for any unit of employees, or to keep from losing a unit in a decertification election or to another labor organization, or to recruit new members.

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual to which the

disbursement was made. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the city and state are sufficient.

Enter in Column (B) the type of activity, business, or job classification of the entity or individual to which the union disbursed \$5,000 or more for Representational Activities during the reporting period, such as printing company, office supplies vendor, legal counsel, etc.

Enter in Column (C) the purpose of the disbursement of \$5,000 or more, which means a brief statement or description of the reason the disbursement was made. Examples of adequate descriptions include the following: contract negotiation, grievance arbitration, litigation regarding the interpretation of a collective bargaining agreement, preparing organizing campaign pamphlets, staffing a help desk, opposition research, litigation regarding representation issues, litigation regarding a refusal to bargain, etc. Neither the name of the employer nor the specific bargaining unit that is the subject of the organizing activity need be identified.

Enter in Column (D) the date that the disbursement of \$5,000 or more was made. The format for the date must be mm/dd/yyyy. The date of disbursement for reporting purposes is the date the labor organization actually disbursed the money.

Enter in Column (E) the amount of the disbursement of \$5,000 or more. The software will enter in Line (F) the total of all disbursements listed in Column (E).

The software will enter in Line (G) the totals from any Continuation Pages for this payee.

The software will enter in Line (H) the total of all itemized disbursements to this payee (the sum of Lines (F) and (G)).



Enter in Line (I) the total of all non-itemized disbursements to this payee (that is, all individual disbursements of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with this payee for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payee. Only one payee should be reported per page. If the Itemization Page does not provide enough space, the continuation Page(s) should be used to report additional disbursements to the payee.

The software will add the total amount of itemized disbursements to named payees (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 24) and enter the total on Line 1 of Summary Schedule 24 on the Detailed Summary Page. The software will add the total amount of non-itemized disbursements to named payees (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 24) and enter the total on Line 2 of Summary Schedule 24. The software will enter in Line 3 of Summary Schedule 24 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 11. The software will enter in Line 4 of Summary Schedule 24 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12. Enter the total amount of all other disbursements relating to this schedule made to other payees during the reporting period on Line 5 of Summary Schedule 24. This is the total from your organization's books of all disbursements relating to this schedule made to payees who did not have a single disbursement of \$5,000 or more or disbursements that aggregated \$5,000 or more. The software will add Lines 1 through 5 and enter the total on Line 6 of Summary Schedule 24

and in Item 50 (Representational Activities) of Statement B.

**SCHEDULE 25 – POLITICAL ACTIVITIES AND LOBBYING**– Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with political disbursements or contributions in money. Also report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with dealing with the executive and legislative branches of the Federal, state, and local governments and with independent agencies and staffs to advance the passage or defeat of existing or potential laws or the promulgation or any other action with respect to rules or regulations (including litigation expenses). It does not matter whether the lobbying attempt succeeds.

A political disbursement or contribution is one that is intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local executive, legislative or judicial public office, or office in a political organization, or the election of Presidential or Vice Presidential electors, and support for or opposition to ballot referenda. It does not matter whether the attempt succeeds. Include disbursements for communications with members (or agency fee paying nonmembers) and their families for registration, get-out-the-vote and voter education campaigns, the expenses of establishing, administering and soliciting contributions to union segregated political funds (or PACs), disbursements to political organizations as defined by the IRS in 26 U.S.C. 527, and other political disbursements.

For all major disbursements in this category:

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual to which the disbursement was made. Do not

abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the union may report only the city and state.

Enter in Column (B) the type of business or job classification of the entity or individual to which the union disbursed \$5,000 or more for Political Activities and Lobbying during the reporting period, such as campaign advisor, lobbyist, marketing firm, fund raiser, think tank, issue advocacy group, printing company, office supplies vendor, legal counsel, etc.

Enter in Column (C) the purpose of the disbursement of \$5,000 or more, which means a brief statement or description of the reason the disbursement was made. Examples of adequate descriptions include the following: a registration drive, get-out-the-vote campaign, voter education campaign, fund raising, advocating or opposing legislation (including litigation challenging such legislation) advocating or opposing regulations (including litigation challenging such regulations), etc. The specific campaign, legislation, regulation, referendum, etc. should be identified whenever possible. Distinguish between activities in the United States and activities in foreign countries.

Enter in Column (D) the date that the disbursement of \$5,000 or more was made. The format for the date must be mm/dd/yyyy. The date of disbursement for reporting purposes is the date the labor organization actually disbursed the money.

Enter in Column (E) the amount of the disbursement of \$5,000 or more.

The software will enter in Line (F) the total of all disbursements listed in Column (E).

The software will enter in Line (G) the totals from any continuation Pages for this payee.

The software will enter in Line (H) the total of all itemized disbursements to this payee (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized disbursements to this payee (that is, all individual disbursements of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with this payee for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payee. Only one payee should be reported per page. If the Itemization Page does not provide enough space, the continuation Page(s) should be used to report additional disbursements to the payee.

The software will add the total amount of itemized disbursements to named payees (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 25). The software will enter the total on Line 1 of Summary Schedule 25 on the Detailed Summary Page. Add the total amount of non-itemized disbursements to named payees (the sum of the amounts entered in Line (I) on all Initial Itemization Pages for Schedule 25). The software will enter the total on Line 2 of Summary Schedule 25. The software will also enter in Line 3 of Summary Schedule 25 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 11. The software will enter in Line 4 of Summary Schedule 25 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12. Enter the total amount of all other disbursements relating to other payees during the reporting period on Line 5 of Summary Schedule 25. This is the total from your organization's books of all disbursements relating to this schedule made to payees who did not have a single disbursement of \$5,000 or more or

disbursements that aggregated \$5,000 or more. The software will add Lines 1 through 5 and enter the total on Line 6 of Summary Schedule 25 and in Item 51 (Political Activities and Lobbying) of Statement B.

**SCHEDULE 26 – CONTRIBUTIONS, GIFTS, AND GRANTS** – Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with contributions, gifts, and grants, other than those listed on Schedules 24, 25, and 29. Include, for example, charitable contributions, contributions to scholarship funds, etc.

For all major disbursements in this category:

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual to which the disbursement was made. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the union may report only the city and state.

Enter in Column (B) the type of business or job classification of the entity or individual to which the union disbursed \$5,000 or more in Contributions, Gifts, and Grants during the reporting period, such as charity, scholarship fund, state or local affiliate, etc.

Enter in Column (C) the purpose of the disbursement of \$5,000 or more, which means a brief statement or description of the reason the disbursement was made. Examples of adequate descriptions include the following: medical research, community development, job retraining, education, disaster and relief assistance, athletic and youth sponsorships, etc.

Enter in Column (D) the date that the disbursement of \$5,000 or more was made. The format for the date must be

mm/dd/yyyy. The date of disbursement for reporting purposes is the date the labor organization actually disbursed the money.

Enter in Column (E) the amount of the disbursement of \$5,000 or more.

The software will enter in Line (F) the total of all disbursements listed in Column (E).

The software will enter in Line (G) the totals from any Continuation Pages for this payee.

The software will enter in Line (H) the total of all itemized disbursements to this payee (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized disbursements to this payee (that is, all individual disbursements of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with this payee for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payee. Only one payee should be reported per page. If the Itemization Page does not provide enough space, the continuation pages should be used to report additional disbursements to the payee.

The software will total the itemized disbursements to named payees (the amounts entered in Line (H) on all Itemization Pages for Schedule 26) and enter that amount on Line 1 of Summary Schedule 26 on the Detailed Summary Page. The software will total the non-itemized disbursements to named payees (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 26) and enter that amount on Line 2 of Summary Schedule 26. The software will enter in Line 3 of Summary Schedule 26 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of

Schedule 11. The software will enter in Line 4 of Summary Schedule 26 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12. Enter the total amount of all other disbursements relating to this schedule made to other payees during the reporting period on Line 5 of Summary Schedule 26. This is the total from your organization's books of all disbursements relating to this schedule made to payees who did not have a single disbursement of \$5,000 or more or disbursements that aggregated \$5,000 or more. The software will total Lines 1 through 5 and enter that amount on Line 6 of Summary Schedule 26 and in Item 52 (Contributions, Gifts and Grants) of Statement B.

#### **SCHEDULE 27 – GENERAL OVERHEAD**

– Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with general overhead that cannot be allocated to any of the other disbursement categories in Statement B.

Some disbursements for overhead do not support a specific function, so these disbursements should be reported in this schedule. Include support personnel at the labor organization's headquarters, such as building maintenance personnel and security guards, and other overhead costs. Not all support staff should be included in General Overhead. For instance, the salary of an assistant, whenever possible, should be allocated at the same ratio as the person or persons to whom they provide support.

For all major disbursements in this category:

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual to which the disbursement was made. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the

entity or individual, the union may report only the city and state.

Enter in Column (B) the type of business or job classification of the entity or individual to which the union disbursed \$5,000 or more for General Overhead during the reporting period, such as office supplies vendor, landlord, mortgage lender, cleaning firm, security firm, etc.

Enter in Column (C) the purpose of the disbursement of \$5,000 or more, in sufficient detail to determine why the disbursement cannot be allocated to another schedule.

Enter in Column (D) the date that the disbursement of \$5,000 or more was made. The format for the date must be mm/dd/yyyy. The date of disbursement for reporting purposes is the date the labor organization actually disbursed the money.

Enter in Column (E) the amount of the disbursement of \$5,000 or more.

The software will enter in Line (F) the total of all disbursements listed in Column (E).

The software will enter in Line (G) the totals from any Continuation Pages for this payee.

The software will enter in Line (H) the total of all itemized disbursements to this payee (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized disbursements to this payee (that is, all individual disbursements of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with this payee for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payee. Only one payee should be reported per page. If the Itemization Page does not provide enough space, continuation pages should be used to

report additional disbursements to the payee.

The software will total the itemized disbursements to named payees (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 27) and enter that amount on Line 1 of Summary Schedule 27 on the Detailed Summary Page. The software will total the non-itemized disbursements to named payees (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 27) and enter that amount on Line 2 of Summary Schedule 27. The software will enter in Line 3 of Summary Schedule 27 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 11. The software will enter in Line 4 of Summary Schedule 27 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12. Enter the total amount of all other disbursements relating to this schedule made to other payees during the reporting period on Line 5 of Summary Schedule 27. This is the total from your organization's books of all disbursements relating to this schedule made to payees who did not have a single disbursement of \$5,000 or more or disbursements that aggregated \$5,000 or more. The software will add Lines 1 through 5 and enter the total on Line 6 of Summary Schedule 27 and in Item 53 (General Overhead) of Statement B.

#### **SCHEDULE 28 – UNION**

**ADMINISTRATION** — Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with union administration. Union administration includes disbursements relating to the nomination and election of union officers, the union's regular membership meetings, intermediate, national and international meetings, union disciplinary proceedings,

the administration of trusteeships, and the administration of apprenticeship and member education programs (not including political education which should be reported in Schedule 25).

For all major disbursements in this category:

Enter in Column (A) of an Itemization Page the full name and mailing address of the entity or individual to which the disbursement was made. Do not abbreviate the name of the entity or individual. If you do not know and cannot reasonably obtain the full address of the entity or individual, the union may report only the city and state.

Enter in Column (B) the type of business or job classification of the entity or individual to which the union disbursed \$5,000 or more for Union Administration during the reporting period, such as printing company, office supplies vendor, legal counsel, etc.

Enter in Column (C) the purpose of the disbursement of \$5,000 or more in sufficient detail to determine why the disbursement cannot be allocated to another schedule. For example, printing of election ballots, rental of meeting facilities for a union convention, printing of transcripts of trusteeship hearing, etc.

Enter in Column (D) the date that the disbursement of \$5,000 or more was made. The format for the date must be mm/dd/yyyy. The date of disbursement for reporting purposes is the date the labor organization actually disbursed the money.

Enter in Column (E) the amount of the disbursement of \$5,000 or more.

The software will enter in Line (F) the total of all disbursements listed in Column (E).

The software will enter in Line (G) the totals from any continuation pages for this payee.

The software will enter in Line (H) the total of all itemized disbursements to this payee (the sum of Lines (F) and (G)).

Enter in Line (I) the total of all non-itemized disbursements to this payee (that is, all individual disbursements of less than \$5,000 each).

The software will enter in Line (J) the total of all transactions with this payee for this schedule (the sum of Lines (H) and (I)).

An Itemization Page must be completed for each payee. Only one payee should be reported per page. If the Itemization Page does not provide enough space, continuation pages should be used to report additional disbursements to the payee.

The software will total the itemized disbursements to named payees (the sum of the amounts entered in Line (H) on all Itemization Pages for Schedule 28) and enter that amount on Line 1 of Summary Schedule 28 on the Detailed Summary Page. The software will total the non-itemized disbursements to named payees (the sum of the amounts entered in Line (I) on all Itemization Pages for Schedule 28) and enter that amount on Line 2 of Summary Schedule 28. The software will enter in Line 3 of Summary Schedule 28 the total of all disbursements to officers allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 11. The software will enter in Line 4 of Summary Schedule 28 the total of all disbursements to employees allocated to the schedule. This is the sum of the amounts that correspond to the percentages entered in Line (J) of Schedule 12. Enter the total amount of all other disbursements relating to this schedule made to other payees during the reporting period on Line 5 of Summary Schedule 28. This is the total from your organization's books of all disbursements relating to this schedule made to payees who did not have a single disbursement of

\$5,000 or more or disbursements that aggregated \$5,000 or more. The software will total Lines 1 through 5 and enter that amount on Line 6 of Summary Schedule 28 and in Item 54 (Union Administration) of Statement B.

**SCHEDULE 29 – BENEFITS – [Note: Do not use the Itemization Pages for Schedule 29. Instead use the separate Schedule 29]** Report the labor organization's direct and indirect disbursements to all entities and individuals during the reporting period associated with direct and indirect benefits for members, and their beneficiaries or others. Benefit disbursements to be reported in Schedule 29 include, for example, disbursements for life insurance, health insurance, and pensions. Do not include disbursements for benefits for the labor organization's officers, which must be reported in Schedule 11 or for the labor organization's employees, which must be reported in Schedule 12, except as expressly provided in those schedules.

Direct benefit disbursements are those made to individuals from the labor organization's funds. Indirect benefit disbursements are those made from the labor organization's funds to a separate and independent entity, such as a trust or insurance company, which in turn and under certain conditions will pay benefits to the covered individuals. An example of an indirect benefit disbursement is the premium on group life insurance.

Enter in Column (A) the type of benefit, such as pension, welfare, etc.

Enter in Column (B) to whom payment was made; for example, union members, insurance company, etc. Individual union members and their beneficiaries are not required to be listed by name.

Enter in Column (C) the amount disbursed for each type of benefit.

The software will enter on Line 22 the total from any continuation pages. The

software will total Lines 1 through 22 and enter that amount on Line 23 and in Item 55 (Benefits) of Statement B.

## **STATEMENT A ASSETS AND LIABILITIES**

### **ASSETS**

The software will pre-fill Columns A and C (Start of Reporting Period) from your organization's report for the previous fiscal year. If the data is inaccurate, however, it can be edited manually. Be sure to explain any changes in Item 69.

**22. CASH** — The software will pre-fill Column (A). Enter the total of all the labor organization's cash on hand and on deposit at the end of the reporting period in Column (B). Include all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also, include any interest credited to the labor organization's account during the reporting period.

**NOTE:** The checking account balances reported should be obtained from the labor organization's books as reconciled with the balances shown on bank statements.

**23. ACCOUNTS RECEIVABLE** — Ordinarily, accounts receivable are moneys due for goods sold or services rendered evidenced by notes, statements, invoices, or other written evidence of a present obligation. The software will pre-fill Column (A). The software will enter in Column (B) the total of all gross accounts receivable at the end of the reporting period from Line 28, Column B of Schedule 1 (Accounts Receivable Aging Schedule). If accounts receivable are carried on the labor organization's books at net (gross accounts receivable less the allowance for doubtful accounts), the labor

organization may report the allowance for doubtful accounts in Item 69 (Additional Information).

**24. LOANS RECEIVABLE** — The software will pre-fill Column (A) with the total of all gross loans receivable at the start of the reporting period, which is also reported on Line 6, Column (B) of Schedule 2 (Loans Receivable). The software will enter the total of all gross loans receivable at the end of the reporting period in Column (B) from Line 6, Column (E) of Schedule 2.

**25. U.S. TREASURY SECURITIES** — The software will pre-fill Column (A). Enter the total value of all U.S. Treasury securities as shown on the labor organization's books at the end of the reporting period in Column (B). If the value reported is different from the original cost, the original cost must be reported in Item 69 (Additional Information). Other U.S. Government obligations, state and municipal bonds, and foreign government securities must be reported in Schedule 5 (Investments Other Than U.S. Treasury Securities) under "Marketable Securities" and in Item 26 (Investments).

**26. INVESTMENTS** — The software will pre-fill Column (A) with the total book value at the start of the reporting period of all investments other than U.S. Treasury securities, which are reported in Item 25 (U.S. Treasury Securities). The software will enter in Column (B) the total reported on Line 7 of Schedule 5 (Investments Other Than U.S. Treasury Securities).

**27. FIXED ASSETS** — The software will pre-fill Column (A) with the total value as shown on the labor organization's books at the start of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment. The software will enter in Column (B) the total reported on Line 8, Column (D) of Schedule 6 (Fixed Assets).

**28. OTHER ASSETS** — The software will pre-fill Column (A) with the total value as

shown on the labor organization's books at the start of the reporting period of all assets not reported in Items 22 through 27. The software will enter in Column (B) the total reported on Line 15 of Schedule 7 (Other Assets).

**29. TOTAL ASSETS** — The software will total Items 22 through 28, Columns (A) and (B), and enter the respective amounts in Item 29.

#### **LIABILITIES**

**30. ACCOUNTS PAYABLE** — Ordinarily, accounts payable are those obligations incurred on an open account for goods and services rendered. The software will pre-fill Column (C) with the total of all gross accounts payable at the start of the reporting period. The software will enter the total of all gross accounts payable at the end of the reporting period in Column (D) from Line 28, Column B of Schedule 8 (Accounts Payable Aging Schedule).

**31. LOANS PAYABLE** — The software will pre-fill Column (C) with the total of all gross loans payable at the start of the reporting period, which is also reported on Line 13, Column (B) of Schedule 9 (Loans Payable). The software will enter the total of all gross loans payable at the end of the reporting period in Column (D) and on Line 13, Column (E) of Schedule 9.

**32. MORTGAGES PAYABLE** — The software will pre-fill Column (C) with the total amount of the labor organization's obligations that were secured by mortgages or similar liens on real property (land or buildings) at the start of the reporting period. Enter the amount at the end of the reporting period in Column (D).

**33. OTHER LIABILITIES** — The software will pre-fill Column (C) with the total amount as shown on the labor organization's books at the start of the reporting period of all liabilities not reported in Items 30 through 32. The software will enter in Column (D) the total reported on Line 14 of Schedule 10 (Other

Liabilities).

**34. TOTAL LIABILITIES** — The software will total Items 30 through 33, Columns (C) and (D), and enter the respective amounts in Item 34.

**35. NET ASSETS** — The software will subtract Item 34 (Total Liabilities), Column (C) from Item 29 (Total Assets), Column (A) and enter the difference in Item 35, Column (C). The software will also subtract Item 34, Column (D) from Item 29, Column (B) and enter the difference in Item 35, Column (D).

#### **STATEMENT B RECEIPTS AND DISBURSEMENTS**

Under Statement B, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

The purpose of Statement B is to report the flow of cash in and out of the labor organization during the reporting period. Transfers between separate bank accounts or between special funds of the labor organization, such as vacation or strike funds, do not represent the flow of cash in and out of the labor organization. Therefore, these transfers should not be reported as receipts and disbursements of the labor organization. For example, do not report a transfer of cash from the labor organization's savings account to its checking account. Likewise, the use of funds reported in Item 22 (Cash) of Statement A to purchase certificates of deposit and the redemption of certificates of deposit should not be reported in Statement B.

Since Statement B reports all cash flowing in and out of the labor organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. For example, if an officer



received \$1,000 from the labor organization for convention expenses, used only \$800 and returned the remaining \$200, the \$1,000 disbursement must be reported in Schedule 11 (All Officers and Disbursements to Officers) and the appropriate disbursement Schedule 24 through 28, and the \$200 receipt must be reported in Schedule 23 (Other Receipts). It would be incorrect to report only an \$800 net disbursement to the officer.

Receipts and disbursements by an agent on behalf of the labor organization are considered receipts and disbursements of the labor organization and must be reported in the same detail as other receipts and disbursements. For example, if the labor organization owns a building managed by a rental agent, the agent's rental receipts and disbursements for expenses must be reported on the labor organization's Form LM-2. Also, if the labor organization's parent body or an intermediate body functions as an agent receiving and disbursing funds of the labor organization to third parties, these receipts and disbursements must be reported on the labor organization's Form LM-2. For example, if a parent body receives the labor organization's dues and makes disbursements from that money to pay the labor organization's bills (such as payments to an attorney for legal services), those receipts and disbursements must be reported on the labor organization's Form LM-2.

#### **CASH RECEIPTS**

**36. DUES AND AGENCY FEES** — The software will enter the total reported on Summary Schedule 14, Line 3.

**37. PER CAPITA TAX** — The software will enter the total reported on Summary Schedule 15, Line 3.

**38. FEES, FINES, ASSESSMENTS, WORK PERMITS** — The software will enter the total reported on Summary Schedule 16, Line 4.

**39. SALE OF SUPPLIES** — The software will enter the total reported on Summary Schedule 17, Line 4.

**40. INTEREST** — The software will enter the total reported on Summary Schedule 18, Line 4.

**41. DIVIDENDS** — The software will enter the total reported on Summary Schedule 19, Line 4.

**42. RENTS** — The software will enter the total reported on Summary Schedule 20, Line 4.

**43. SALE OF INVESTMENTS AND FIXED ASSETS** — The software will enter the total reported on Summary Schedule 3, Line 6.

**44. LOANS OBTAINED** — The software will enter the total reported on Line 13, Column (C) of Schedule 9 (Loans Payable).

**45. REPAYMENTS OF LOANS MADE** — The software will enter the total reported on Line 6, Column (D)(1) of Schedule 2 (Loans Receivable).

**46. ON BEHALF OF AFFILIATES FOR TRANSMITTAL TO THEM** — The software will enter the total reported on Summary Schedule 21, Line 4.

**47. FROM MEMBERS FOR DISBURSEMENT ON THEIR BEHALF** — The software will enter the total reported on Summary Schedule 22, Line 4.

**48. OTHER RECEIPTS** — The software will enter the total reported on Summary Schedule 23, Line 4.

**49. TOTAL RECEIPTS** — The software will add Items 36 through 48 and enter the total in Item 49.

#### **CASH DISBURSEMENTS**

**50. REPRESENTATIONAL ACTIVITIES**

— The software will enter the total from Summary Schedule 24, Line 6.

**51. POLITICAL ACTIVITIES AND LOBBYING**— The software will enter the total from Summary Schedule 25, Line 6.

**52. CONTRIBUTIONS, GIFTS, AND GRANTS**— The software will enter the total from Summary Schedule 26, Line 6.

**53. GENERAL OVERHEAD**— The software will enter the total from Summary Schedule 27, Line 6.

**54. UNION ADMINISTRATION**— The software will enter the total from Summary Schedule 28, Line 6.

**55. BENEFITS**— The software will enter the total from Summary Schedule 29, Line (6).

**56. PER CAPITA TAX**— Enter your organization's total amount of per capita tax paid as a condition or requirement of affiliation with your parent national or international union, state and local central bodies, a conference, joint or system board, joint council, federation, or other labor organization.

**57. STRIKE BENEFITS**— Enter the total amount of all disbursements made to, or on behalf of the members (or agency fee paying nonmembers) of the labor organization, and others, associated with strikes (including recognitional strikes), work stoppages and lockouts during the reporting period.

**58. FEES, FINES, ASSESSMENTS, ETC.**— Enter the total amount of fees, fines, assessments, and similar disbursements made by the labor organization to a parent body or other labor organization.

**59. SUPPLIES FOR RESALE**— Enter the labor organization's total disbursements for purchases of supplies such as union logo clothing, lapel pins, bumper stickers, etc. for resale.

**60. PURCHASE OF INVESTMENTS AND FIXED ASSETS**— The software will enter the total from Summary Schedule 4, Line 6.

**61. LOANS MADE**— The software will enter the total reported on Line 6, Column (C) of Schedule 2 (Loans Receivable).

**62. REPAYMENT OF LOANS OBTAINED**— The software will enter the total reported on Line 13, Column (D)(1) of Schedule 9 (Loans Payable).

**63. TO AFFILIATES OF FUNDS COLLECTED ON THEIR BEHALF**— Enter the total disbursements of funds collected on behalf of affiliates by the labor organization. This amount usually is the same as the amount reported in related Item 46 (On Behalf of Affiliates for Transmittal to Them). Any such funds not disbursed by the end of the reporting period are liabilities of the labor organization and must be reported in Schedule 10 (Other Liabilities).

**64. ON BEHALF OF INDIVIDUAL MEMBERS**— Enter the total disbursements of funds collected from members by the labor organization that were specifically designated by them for disbursement on their behalf. This amount usually is the same as the amount reported in related Item 47 (Cash Receipts from Members for Disbursement on Their Behalf). Any such funds not disbursed by the end of the reporting period are liabilities of the labor organization and must be reported in Schedule 10 (Other Liabilities).

**65. DIRECT TAXES**— Enter all taxes assessed against and paid by your organization, including your organization's FICA taxes as an employer. Do not include disbursements for the transmittal of taxes withheld from the salaries of officers and employees which must be reported in Item 67 (Withholding Taxes and Other Payroll Deductions). Also, do not include indirect taxes, such as sales

and excise taxes, for purchases reported in other disbursement items.

**66. SUBTOTAL** — The software will add Items 50 through 65 and enter the result in Item 66.

**67. WITHHOLDING TAXES AND OTHER PAYROLL DEDUCTIONS —**

a. Total Withheld—Enter the total amount of withholding taxes and all other payroll deductions during the reporting period.

b. Total Disbursed—Enter the total amount of withholding taxes and all other payroll deductions that were disbursed by your organization during the reporting period. This includes your organization's total disbursements to Federal, state, county, and municipal government agencies for the transmittal of taxes withheld from the salaries of officers and employees, including officers' and employees' portion of FICA taxes and all disbursements for the transmittal of other payroll deductions.

c. Total Withheld But Not Disbursed—The software will subtract Item 67b from Item 67a and enter the result in Item 67c.

**68. TOTAL DISBURSEMENTS** — The software will subtract Item 67c from Item 66 and enter the result in Item 68.

**NOTE:** The following worktable may be used to determine that the figures for receipts, disbursements, and cash are correctly reported on the labor organization's Form LM-2:

A. Cash at Start of Reporting Period — Item 22, Column (A)	\$
B. Add: Total Receipts — Item 49	\$
C. Total of Lines A and B	\$
D. Subtract: Total Disbursements — Item 68	\$
E. Cash at End of Period	\$

If Line E does not equal the amount

reported in Item 22, Column (B), there is an error in the labor organization's report, which should be corrected.

**ADDITIONAL INFORMATION AND SIGNATURES**

**69. ADDITIONAL INFORMATION** — Use Item 69 to provide additional information as indicated on Form LM-2 and in these instructions. Enter the number of the item to which the information relates in the Item Number column if the software has not entered the number.

**70-71. OFFICER TELEPHONE NUMBERS AND SIGNATURES** — Before entering the date and signing the form, enter the telephone number at which the signatories conduct official business.

The completed Form LM-2 that is filed with OLMS must be signed by both the president and treasurer, or corresponding principal officers, of the labor organization. If an officer other than the president or treasurer performs the duties of the principal executive or principal financial officer, the other officer may sign the report. If an officer other than the president or treasurer signs the report, enter the correct title in the title field next to the signature and explain in Item 69 (Additional Information) why the president or treasurer did not sign the report. Forms must be signed with digital signatures. Information about digital signatures can be obtained on the OLMS Web site at <http://www.olms.dol.gov>.

**XII. LABOR ORGANIZATIONS THAT HAVE CEASED TO EXIST**

If a labor organization has gone out of existence as a reporting labor organization, the last president and treasurer or the officials responsible for winding up the affairs of the labor organization must file a terminal financial report for the period from the beginning of the fiscal year to the date of termination. A terminal financial report must be filed if the labor organization has gone out of

business by disbanding, merging into another organization, or being merged and consolidated with one or more labor organizations to form a new labor organization. A terminal financial report is not required if the labor organization changed its affiliation but continues to function as a separate reporting labor organization.

The terminal financial report must be filed on Form LM-2 if the labor organization filed its previous annual report on Form LM-2 and must be submitted within 30 days after the date of termination.

To complete a terminal report on Form LM-2, follow the instructions in Section XI and, in addition:

- Enter the date the labor organization ceased to exist in Item 2 after the word "Through." The format for the date must be mm/dd/yyyy.
- Select Item 3(c) indicating that the labor organization ceased to exist during the reporting period and that this is the labor organization's terminal Form LM-2.
- Provide in Item 69 (Additional Information) a detailed statement of the reason the labor organization ceased to exist. Also report in Item 69 plans for the disposition of the labor organization's cash and other assets, if any (for example, transfer of cash and assets to the parent body). Provide the name and mailing address of the person or organization that will retain the records of the terminated organization. If the labor organization merged with another labor organization, report that organization's name, address, and 6-digit file number.

Contact the nearest OLMS field office listed below if you have questions about filing a terminal report.

#### ***If You Need Assistance***

The Office of Labor-Management

Standards has field offices located in the following cities to assist you if you have any questions concerning LMRDA and CSRA reporting requirements.

Atlanta, GA  
Boston, MA  
Buffalo, NY  
Chicago, IL  
Cincinnati, OH  
Cleveland, OH  
Dallas, TX  
Denver, CO  
Detroit, MI  
Los Angeles, CA  
Milwaukee, WI  
Nashville, TN  
New Orleans, LA  
New York, NY  
Philadelphia, PA  
Pittsburgh, PA  
St. Louis, MO  
San Francisco, CA  
Seattle, WA  
Washington, DC

Consult the OLMS Web site listed below or local telephone directory listings under United States Government, Labor Department, Office of Labor-Management Standards, for the address and telephone number of the nearest field office.

Copies of labor organization annual financial reports, employer reports, and labor relations consultant reports filed for the year 2000 and after can be viewed and printed at <http://www.unionreports.gov>. Copies of reports for the year 1999 and earlier can be ordered through the Web site.

Information about OLMS, including key personnel and telephone numbers, compliance assistance materials, the text of the LMRDA, and related Federal Register and Code of Federal Regulations documents, is also available on the Internet at:

<http://www.olms.dol.gov>

Public reporting burden for this collection of information is estimated to average 116 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number. Reporting of this information is mandatory and is required by the Labor-Management Reporting and Disclosure Act of 1959, as amended, for the purpose of public disclosure. As this is public information, there are no assurances of confidentiality. If you have any comments regarding this estimate or any other aspect of this information collection, including suggestions for reducing this burden, please send them to the U.S. Department of Labor, Employment Standards Administration, Office of Labor-Management Standards, Division of Interpretations and Standards, Room N-5609, 200 Constitution Avenue, NW, Washington, DC 20210.

## **INSTRUCTIONS FOR ELECTRONIC FORM LM-3 LABOR ORGANIZATION ANNUAL REPORT**

### **GENERAL INSTRUCTIONS**

#### **I. WHO MUST FILE**

Every labor organization subject to the Labor-Management Reporting and Disclosure Act of 1959, as amended (LMRDA), the Civil Service Reform Act (CSRA), or the Foreign Service Act (FSA) must file a financial report, Form LM-2, LM-3, or LM-4, each year with the Office of Labor-Management Standards (OLMS) of the U.S. Department of Labor's Employment Standards Administration. These laws cover labor organizations that represent employees who work in private industry, employees of the U.S. Postal Service, and most Federal government employees. Labor organizations that represent only state, county, or municipal government employees are not covered by these laws and, therefore, are not required to file, except that any "conference, general committee, joint or system board, or joint council" that is subordinate to a national or international labor organization is a labor organization under the LMRDA and is required to file a financial report if the national or international labor organization is a labor organization engaged in an industry affecting commerce within the meaning of section 3(j) of the LMRDA. If you have a question about whether your organization is required to file, contact the nearest OLMS field office listed at the end of these instructions.

#### **II. WHAT FORM TO FILE**

For fiscal years that began July 1, 2004 or later, labor organizations with total annual receipts of less than \$250,000 may file the simplified annual report Form LM-3, if not in trusteeship as defined in Section IX of these instructions. For fiscal years that began before July 1, 2004, only labor organizations with less than \$200,000 in annual receipts may file Form LM-3. The term "total annual receipts" means all financial receipts of the labor organization during its fiscal year, regardless of the source, including receipts of any special funds as described in Section VIII of these instructions and any "subsidiaries" as defined in Section X.

Labor organizations with greater total annual receipts and those in trusteeship must file the more detailed Form LM-2. Labor organizations with less than \$10,000 in total annual receipts may file the abbreviated 2-page annual report Form LM-4, if not in trusteeship.

The privilege to file the Form LM-3 may be revoked under certain circumstances. If so, the labor organization must file a Form LM-2, despite total annual receipts of less than \$250,000. The standards and procedures appear in the Department's regulations (29 C.F.R. § 403.4). The regulations appear on page 17 of these Instructions.

#### **III. WHEN TO FILE**

Form LM-3 must be filed within 90 days after the end of your organization's fiscal year (12-month reporting period). The law does not authorize the U.S. Department of Labor to grant an extension of time for filing reports for any reason. The penalties for delinquency are described in Section VI of these instructions.

If your organization went out of existence during its fiscal year, a terminal financial report must be filed within 30 days after the date it ceased to exist. See Section XII of these instructions for information on filing a terminal financial report.

#### IV. HOW TO FILE

An Adobe Reader version of Form LM-3 is now available for download from the OLMS Web site. The content of this form is identical to the Informed Filler Form LM-3, but the new software is easier to use. This new form has pre-fill and the option for digital signatures for electronic filing. You can download the Adobe Reader version Form LM-3 at [http://www.dol.gov/esa/olms/regs/compliance/lm3\\_downloadpg.htm](http://www.dol.gov/esa/olms/regs/compliance/lm3_downloadpg.htm).

On the download pages you will find a User Guide for the Adobe Reader Form LM-3 that will guide you through the process of preparing and completing the form, and provide instructions and navigation tips to help you download the form, enter information directly into the form, and add digital signatures.

If you have difficulty navigating the software, or have questions about its functions and features, call the Department of Labor's National Call Center at: 1-866-487-2365. You may also send questions via e-mail to [olms-public@dol.gov](mailto:olms-public@dol.gov).

After you have completed Form LM-3 you have two options for submitting your report. You can print it and have the officers sign it manually and mail it to the Office of Labor-Management Standards, 200 Constitution Ave., NW, Room N-5616, Washington, DC

20210-0001 or you can electronically sign and submit the form.

**NOTE:** *Certain labor organizations are required to file Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service (IRS). The IRS will accept a copy of your organization's Form LM-3 to provide some of the information required by Form 990. See the instructions for the current Form 990 for details. Filing Form LM-3 with the IRS does not satisfy your organization's reporting requirement with the U.S. Department of Labor.*

#### V. PUBLIC DISCLOSURE

The LMRDA requires that the U.S. Department of Labor make labor organization financial reports available for inspection by the public. Reports for the year 2000 and later may be viewed and downloaded from the OLMS Web site at [www.unionreports.gov](http://www.unionreports.gov). Copies of reports and union constitutions and bylaws can be ordered at the same Web site. Reports may also be examined and copies purchased at the OLMS Public Disclosure Room at:

U.S. Department of Labor  
Employment Standards Administration  
Office of Labor-Management Standards  
200 Constitution Avenue, NW  
Room N-5608  
Washington, DC 20210-0001  
Telephone: 202-693-0125

#### VI. OFFICER RESPONSIBILITIES AND PENALTIES

The president and treasurer or the corresponding principal officers of the labor organization required to sign Form LM-3 are personally responsible for its filing and accuracy. Under the LMRDA, officers are subject to criminal penalties for willful failure to file a required report and for false reporting. False reporting includes making any false statement or misrepresentation of a material fact while knowing it to be false, or for knowingly failing to disclose a material fact in a required report or in the information

required to be contained in it or in any information required to be submitted with it.

The reporting labor organization and the officers required to sign Form LM-3 are also subject to civil prosecution for violations of the filing requirements. Section 210 of the LMRDA (29 U.S.C. 440) provides that "whenever it shall appear that any person has violated or is about to violate any of the provisions of this title, the Secretary may bring a civil action for such relief (including injunctions) as may be appropriate."

Under the CSRA and FSA and implementing regulations, false reporting and failure to report may result in administrative enforcement action and litigation. The officers responsible for signing Form LM-3 are also subject to criminal penalties for false reporting under Sections 1001 of Title 18 and 1746 of Title 28 of the United States Code.

## **VII. RECORDKEEPING**

The officers required to file Form LM-3 are responsible for maintaining records which will provide in sufficient detail the information and data necessary to verify the accuracy and completeness of the report. The records must be kept for at least 5 years after the date the report is filed. Any record necessary to verify, explain, or clarify the report must be retained, including, but not limited to, vouchers, worksheets, receipts, and applicable resolutions, and any electronic documents, including recordkeeping software, used to complete, read, and file the report.

## **VIII. FUNDS TO BE REPORTED**

Your labor organization's Form LM-3 must report financial information for all funds of your organization. Include any special purpose funds or accounts, such as strike funds, vacation funds, and scholarship funds even if they are not part of your organization's general treasury.

All labor organization political action committee (PAC) funds are considered to

be labor organization funds. However, to avoid duplicate reporting, PAC funds which are kept separate from your labor organization's treasury are not required to be included in your organization's Form LM-3 if publicly available reports on the PAC funds are filed with a Federal or state agency.

Your organization is required to report financial information about any "subsidiary organization(s)." Financial information about your organization and its subsidiary organizations may be combined on a single Form LM-3 or a separate report may be filed for any subsidiary organization. See Section X of these instructions for information on reporting financial information for subsidiary organizations.

In combining the information concerning special funds and/or any subsidiary organizations, be sure to include the requested information and amounts for the "special funds" and subsidiary organizations as well as for your organization in all items.

## **SPECIAL INSTRUCTIONS FOR CERTAIN ORGANIZATIONS**

### **IX. LABOR ORGANIZATIONS IN TRUSTEESHIP**

Any labor organization which has placed a subordinate labor organization in trusteeship is responsible for filing the subordinate's annual financial report. A trusteeship is defined in section 3(h) of the LMRDA as "any receivership, trusteeship, or other method of supervision or control whereby a labor organization suspends the autonomy otherwise available to a subordinate body under its constitution or bylaws."

Annual financial reports filed for any labor organization in trusteeship must be filed on Form LM-2 rather than Form LM-3. The report must be signed by the president and treasurer or corresponding principal officers of the labor organization which imposed the trusteeship and by the trustees of the subordinate labor organization. Form LM-2 can be downloaded from the OLMS Web

site at [www.olms.dol.gov](http://www.olms.dol.gov). For additional information contact any of the offices listed at the end of these instructions.

#### **X. LABOR ORGANIZATIONS WITH SUBSIDIARY ORGANIZATIONS**

A subsidiary organization, within the meaning of these instructions, is any separate organization of which the ownership is wholly vested in the reporting labor organization or its officers or its membership, which is governed or controlled by the officers, employees, or members of the reporting labor organization, and which is wholly financed by the reporting labor organization. A subsidiary organization is considered to be wholly financed if the initial financing was provided by the reporting labor organization even if the subsidiary organization is currently wholly or partially self-sustaining. An example of a subsidiary organization is a building corporation which holds title to a building; the labor organization owns the building corporation, selects the officers, and finances the operation of the building corporation.

**If your organization has no subsidiary organization as defined above, skip to Section XI of these instructions.**

A labor organization is required to report financial information for each of its subsidiary organizations using one of the following methods:

**Method (1)** — Consolidate the financial information for the subsidiary organization(s) and the labor organization on a single Form LM-3.

**Method (2)** — Complete a separate Form LM-3 for the subsidiary organization and file it with the labor organization's Form LM-3. The LM-3 report for the subsidiary organization must be identified by selecting Item 3(c).

**Method (3)** — File, with the labor organization's Form LM-3, the regular

annual report of the financial condition and operations of the subsidiary organization, accompanied by a statement signed by an independent public accountant certifying that the financial report presents fairly the financial condition and operations of the subsidiary organization and was prepared in accordance with generally accepted accounting principles.

Financial information reported separately for subsidiary organizations under methods (2) and (3) above must include the name of the subsidiary organization and the name and file number of the labor organization as shown on its Form LM-3. The financial report of the subsidiary organization must cover the same reporting period as that used by the reporting labor organization.

When method (2) or (3) is used and the subsidiary organization is an investment, the financial interest of the reporting labor organization in the subsidiary organization must be reported in Item 28 (Investments) of the labor organization's Form LM-3. When method (2) or (3) is used and the subsidiary organization is of a non-investment nature, the financial interest of the reporting labor organization in the subsidiary organization must be reported in Item 30 (Other Assets) of the labor organization's Form LM-3.

The same type of information required on Form LM-3 regarding disbursements to officers and employees and loans made by labor organizations must also be reported with respect to the subsidiary organization. In method (1) the information relating to the subsidiary organization must be combined with that of the labor organization and reported on the labor organization's Form LM-3 in Item 24 and in Item 56 in the detail required by the instructions for Items 17 and 18. In method (2) this information must be reported on the separate Form LM-3 of the subsidiary organization in Item 24 and in Item 56 in the detail required by the instructions for Items 17 and 18. If method (3) is used, an attachment must be submitted containing the information required by the instructions for Items 17, 18, and 24.



The information regarding loans made by the subsidiary organization must include a listing of the names of each officer, employee, or member of the labor organization and each officer or employee of the subsidiary organization whose total loan indebtedness to the subsidiary organization, to the labor organization, or to both at any time during the reporting period exceeded \$250. However, if method (2) or (3) is used, the amount reported by the subsidiary organization should be only the amount owed to the subsidiary organization.

The annual financial report must also include all disbursements made by the subsidiary organization to or on behalf of its officers and officers of the labor organization. The report must also list the name and position of the subsidiary organization's employees whose total gross salaries, allowances, and other disbursements from the subsidiary organization, the reporting labor organization, and any affiliates were more than \$10,000. However, if method (2) or (3) is used, only the disbursements of the subsidiary organization for its employees should be reported.

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## **XI. COMPLETING FORM LM-3**

Opening the Form LM-3 from either the Web site or as a saved file should launch Adobe and open the form.

Items 1, 2, and 4-8 are "pre-filled" items. These fields were filled in by the software based on information you entered when you accessed and downloaded the form from our Web site. With the exception of Item 8, you cannot edit these fields.

Most pages have a "Perform Calculations" button to total and transfer data to fields in various parts of the form. You may click on one or more of these buttons as you fill out the form at any time.

You may click on the "Validate Form" button at any time to check for errors. This action

will generate an "Errors Page" listing any errors that will need to be corrected before you will be able to sign the form. Clicking on the signature lines will also perform the validation function.

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## **INFORMATION ITEMS 1-23**

Answer Items 1 through 23 as instructed. Select the appropriate box for those questions requiring a "Yes" or "No" answer; do not leave both boxes blank. Enter a single "0" in the boxes for items requiring a number or dollar amount if there is nothing to report.

**1. FILE NUMBER** — The software will enter the labor organization's 6-digit file number here and at the top of each page of Form LM-3. This is the number you entered when you downloaded Form LM-3. If the number is incorrect, you must download another copy of the form using the correct number. If the labor organization does not have the number on file and cannot obtain the number from prior reports filed with the Department, the number can be obtained from the OLMS Web site at <http://www.union-reports.dol.gov>, or by contacting the nearest OLMS field office listed at the end of these instructions.

**2. PERIOD COVERED** — The software will enter the beginning and ending dates of the period covered by this report. These are the dates you entered when you downloaded Form LM-3. If the dates are incorrect, you must download another form using the correct dates.

If the labor organization changed its fiscal year, the ending date in Item 2 should be the labor organization's new fiscal year ending date and the labor organization should indicate in Item 56 (Additional Information) that the report is for a period of less than 12 months because its fiscal year has changed. For example, if the labor organization's fiscal year ending date changes from June 30 to December 31, a report must be filed for the partial year from July 1 to December 31. Thereafter, the labor

organization's annual report should cover a full 12-month period from January 1 to December 31.

### **3. AMENDED, TERMINAL, OR**

**SUBSIDIARY REPORT** — Do not complete this item unless this report is an amended or terminal report, or a separate report for a subsidiary organization. Select Item 3(a) if the labor organization is filing an amended report correcting a previously filed report. Select Item 3(b) if the labor organization has gone out of business by disbanding, merging into another labor organization, or being merged and consolidated with one or more labor organizations to form a new labor organization, and this is the labor organization's terminal report. Be sure the date the labor organization ceased to exist is entered in Item 2 (Period Covered) after the word "Through." See Section XII (Labor Organizations That Have Ceased to Exist) of these instructions for more information on filing a terminal report. Select Item 3(c) if this is a separate report for a subsidiary organization of your organization as defined in Section X of these instructions.

### **4. AFFILIATION OR ORGANIZATION NAME**

— The software will access this information from the OLMS database and enter the name of the national or international labor organization that granted the labor organization a charter. "Affiliates," within the meaning of these instructions, are labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relationship of parent and subordinate. For example, a parent body is an affiliate of all of its subordinate bodies, and all subordinate bodies of the same parent body are affiliates of each other.

If the labor organization has not reported such an affiliation, the software will enter the name of the labor organization as currently identified in the labor organization's constitution and bylaws or other organizational documents.

This item cannot be edited. If the labor organization needs to change this

information, contact OLMS at (202) 693-0124.

**5. DESIGNATION** — The software will enter the specific designation that is used to identify the labor organization, such as Local, Lodge, Branch, Joint Board, Joint Council, District Council, etc. This field cannot be edited.

**6. DESIGNATION NUMBER** — The software will enter the number or other identifier, if any, by which the labor organization is known. This field cannot be edited.

**7. UNIT NAME** — The software will enter any additional or alternate name by which the labor organization is known, such as "Chicago Area Local." This field cannot be edited.

**8. MAILING ADDRESS** — The software will enter the current address where mail is most likely to reach the labor organization as quickly as possible. The first and last name of the person, if any, to whom such mail should be sent and any building and room number should be included. These fields are pre-filled from the OLMS database but can be edited by the filer.

### **9. PLACE WHERE RECORDS ARE KEPT**

— If the records required to be kept by the labor organization to verify this report are kept at the address reported in Item 8 (Mailing Address), answer "Yes." If not, answer "No" and provide in Item 56 (Additional Information) the address where the labor organization's records are kept.

**10. SUBSIDIARY ORGANIZATIONS** — If Item 10 is answered "Yes," provide in Item 56 the name, address, and purpose of each subsidiary organization. Indicate whether the information concerning its financial condition and operations is included in this Form LM-3 or in a separate report. See Section X of these instructions for information on reporting subsidiary organizations.

**11. TRUSTS OR FUNDS** — Answer Item 11 “Yes” if your labor organization created or participated in the administration of a “trust in which a labor organization is interested” which is defined in section 3(l) of the LMRDA as “a trust or other fund or organization (1) which was created or established by a labor organization, or one or more of the trustees or one or more members of the governing body of which is selected or appointed by a labor organization, and (2) a primary purpose of which is to provide benefits for the members of such labor organization or their beneficiaries.”

If Item 11 is answered “Yes,” provide in Item 56 the name, address, and purpose of each trust. If a report has been filed for the trust or other fund under the Employee Retirement Income Security Act of 1974 (ERISA), report in Item 56 the ERISA file number (Employer Identification Number — EIN) and plan number, if any.

**12. POLITICAL ACTION COMMITTEE FUNDS** — If Item 12 is answered “Yes,” provide in Item 56 the full name of each separate political action committee (PAC) and list the name of any government agency, such as the Federal Election Commission or a state agency, with which the PAC has filed a publicly available report, and the relevant file number of the PAC. (PAC funds which are kept separate from your labor organization’s treasury are not required to be included in your organization’s Form LM-3 if publicly available reports on the PAC funds are filed with a Federal or state agency. See Section VIII of these instructions for additional information on PAC funds.)

**13. ACQUISITION OR DISPOSITION OF ASSETS** — If Item 13 is answered “Yes,” describe in Item 56 the manner in which your organization acquired or disposed of assets, such as donating office furniture or equipment to charitable organizations, trading in assets, writing off a receivable, or giving away other tangible or intangible property of the labor organization. Include the type of asset, its value, and the identity

of the recipient or donor, if any. Also report in Item 56 the cost or other basis at which any acquired assets were entered on your organization’s books or the cost or other basis at which any assets disposed of were carried on your organization’s books.

For assets that were traded in, enter in Item 56 the cost, book value, and trade-in allowance.

**14. AUDIT OR REVIEW OF BOOKS AND RECORDS** — If Item 14 is answered “Yes,” indicate in Item 56 whether the audit or review was performed by an outside accountant or a parent body auditor/representative. If the audit or review was performed by an outside accountant, provide the name of the accountant or accounting firm. Report any audit or review by an outside accountant or a parent body auditor/representative in which your organization’s books and records were examined to verify their accuracy and validity. The term “audit or review” does not include providing assistance in developing a bookkeeping system, providing routine bookkeeping services, or merely compiling information from your organization’s books and records to prepare Form LM-3 or other financial reports. Also, do not answer Item 14 “Yes” if the audit or review was performed by an audit committee or trustees of your organization.

**15. LOSSES OR SHORTAGES** — If Item 15 is answered “Yes,” describe the loss or shortage in detail in Item 56, including such information as the amount of the loss or shortage of funds or a description of the property that was lost, how it was lost, and to what extent, if any, there has been an agreement to make restitution or any recovery by means of repayment, fidelity bond, insurance, or other means.

**16. ADDITIONAL POSITIONS OF OFFICERS** — Answer Item 16 “Yes” only if an officer of your organization was paid \$10,000 or more in salary, wages, and allowances by your organization and was paid \$10,000 or more in salary, wages, and allowances as an officer or employee of

another labor organization or of an employee benefit plan. In calculating whether an officer was paid \$10,000 or more, include allowances paid on a daily, weekly, monthly, or other periodic basis. Do not include allowances paid on the basis of mileage or meals or amounts officers received as reimbursed expenses. If Item 16 is answered "Yes," provide in Item 56 the name of each officer, the name of the other labor organization(s) or employee benefit plan(s), and the officer's position in the other labor organization(s) or employee benefit plan(s).

**17. EMPLOYEES** — Answer Item 17 "Yes" if any employee of your organization received more than \$10,000 in gross salaries, allowances, and other direct and indirect disbursements during the reporting period (direct and indirect disbursements are defined in the instructions for Item 24). In computing the total, add together all disbursements made to each employee by your organization (including any subsidiary organization) and any affiliates. ("Affiliates" means labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relationship of parent and subordinate.)

If Item 17 is answered "Yes," report in Item 56 the name and position of each employee and the names of the other affiliated labor organizations which made disbursements to or on behalf of the employee. Also report in Item 56 the total disbursements made to each employee or on the employee's behalf by your organization, including all salary and allowances (before any deductions) and other disbursements (including reimbursed expenses).

**18. LOANS** — Answer Item 18 "Yes" if any officer, employee, or member owed your organization, together with any subsidiary organization, more than \$250 at any time during the reporting period; or if your organization made a loan, regardless of amount, to any business enterprise during the reporting period. Include any direct or indirect loans whether or not evidenced by a promissory note or secured by a mortgage.

An example of an indirect loan is a disbursement by your organization to an educational institution for the tuition expense of an officer, employee, or member which must be repaid to your organization by that individual.

If Item 18 is answered "Yes," report in Item 56 the name of each individual and business enterprise, the amount each individual owed at the end of the reporting period, and the amount loaned to each business enterprise during the reporting period. Also report in Item 56 the purpose, terms for repayment, and any security for each such loan.

**NOTE:** *Advances, including salary advances, are considered loans and must be reported in Item 26 (Loans Receivable) and Item 53 (Loans Made). However, advances to officers and employees of your organization for travel expenses necessary for conducting official business are not considered loans if the following conditions are met:*

- *the amount of an advance for a specific trip does not exceed the amount of expenses reasonably expected to be incurred for official travel in the near future, and the amount of the advance is fully repaid or fully accounted for by vouchers or paid receipts within 30 days after the completion or cancellation of the travel.*
- *the amount of a standing advance to an officer or employee who must frequently travel on official business does not unreasonably exceed the average monthly travel expenses for which the individual is separately reimbursed after the submission of vouchers or paid receipts, and the individual does not exceed 60 days without engaging in official travel.*

*See the instructions for Item 24, Column (E), Item 30, and Item 46 for reporting travel advances which meet these criteria.*

**19. NUMBER OF MEMBERS** — Enter the number of members in your organization at the end of the reporting period. Include all

categories of members who pay dues. Do not include nonmember employees who make payments in lieu of dues as a condition of employment under a union security provision in a collective bargaining agreement.

**20. FIDELITY BOND** — Enter the maximum amount recoverable for a loss caused by any officer, employee, or agent of your organization who handled your organization's funds. Enter "0" if your organization was not covered by a fidelity bond during the reporting period.

**NOTE:** *If your organization had property and annual financial receipts which totaled more than \$5,000, each of your organization's officers, employees, and agents who handles funds or other property of your organization must be bonded. The amount of the bond must be at least 10% of the value of the funds handled by the individual during the last reporting period, up to a maximum bond of \$500,000. The bond must be obtained from a surety company approved by the Secretary of the Treasury. If you have any questions or need more information about bonding requirements, contact the nearest OLMS field office listed at the end of these instructions.*

**21. CHANGES IN CONSTITUTION AND BYLAWS OR PRACTICES/PROCEDURES**

— If Item 21 is answered "Yes" because your organization's constitution and bylaws were changed during the reporting period (other than rates of dues and fees), a dated copy of the new constitution and bylaws must either be submitted as an electronic attachment to the Form LM-3 the labor organization submits to OLMS, or the labor organization may submit a dated copy of the new constitution and bylaws to:

Office of Labor-Management Standards  
200 Constitution Ave., NW, Room N-5616  
Washington, DC 20210-0001

If your organization is governed by a uniform constitution and bylaws prescribed by your organization's parent national or international body, your organization's

parent body may file the constitution and bylaws on your behalf. If your parent body files a constitution and bylaws on your behalf, answer Item 21 "Yes" and state that fact in Item 56.

If Item 21 is answered "Yes" because your organization changed any of the practices/procedures listed below during the reporting period and the practices/procedures are not described in your organization's constitution and bylaws, your organization must file an amended Form LM-1 (Labor Organization Information Report) with its Form LM-3 to update information on file with OLMS:

- qualifications for or restrictions on membership;
- levying assessments;
- participating in insurance or other benefit plans;
- authorizing disbursement of labor organization funds;
- auditing financial transactions of the labor organization;
- calling regular and special meetings;
- authorizing bargaining demands;
- ratifying contract terms;
- authorizing strikes;
- disciplining or removing officers or agents for breaches of their trust;
- imposing fines and suspending or expelling members including the grounds for such action and any provision made for notice, hearing, judgment on the evidence, and appeal procedures;
- selecting officers and stewards and any representatives to other bodies composed of labor organizations' representatives;

- invoking procedures by which a member may protest a defect in the election of officers (including not only all procedures for initiating an election protest but also all procedures for subsequently appealing an adverse decision, e.g., procedures for appeals to superior or parent bodies, if any); and

- issuing work permits.

Form LM-1 can be downloaded from the OLMS Web site at [www.olms.dol.gov](http://www.olms.dol.gov). If you are unable to download the form, contact any of the offices listed at the end of these instructions to obtain a copy.

**NOTE:** *Federal employee labor organizations subject solely to the Civil Service Reform Act or Foreign Service Act are not required to submit an amended Form LM-1 to describe revised or changed practices/procedures.*

**22. NEXT REGULAR ELECTION** — Enter the month and year of your organization's next regular election of general officers (president, vice president, treasurer, secretary, etc.). Do not report the date of any interim election to fill vacancies.

**23. DUES AND FEES** — Enter the dues and fees established by your organization. If more than one rate applies, enter the minimum and maximum rates. Enter "0" where appropriate.

**Line (a):** Enter the regular dues or fees or other periodic payments which a member must pay to be in good standing in your organization and enter the calendar basis for the payment (per month, per year, etc.). If your organization requires members to pay "working" dues as a part of regular dues, also report the amount or percent of "working" dues and enter the basis for the payment (per hour, per month, etc.). Include only the dues or fees of regular members and not dues or fees of members with special rates, such as apprentices, retirees, or unemployed members.

**Line (b):** Enter the initiation fees required from new members.

**Line (c):** Enter the fees other than dues required from transferred members. Such fees are those charged to persons applying for a transfer of membership to your organization from another labor organization with the same affiliation. Do not report fees charged to members transferring from one class of membership to another within your organization.

**Line (d):** If your organization issues work permits, enter the fees required and enter the calendar basis for the payment (per month, per year, etc.). Work permit fees are fees charged to nonmembers of your organization who work within its jurisdiction. Do not report as work permit fees those fees charged to nonmember applicants for membership pending acceptance of their membership application, or fees charged to persons applying for transfer of membership to your organization pending acceptance of their application for transfer.

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## FINANCIAL DETAILS

### REPORT ONLY DOLLAR AMOUNTS

Report all amounts in dollars only. Round cents to the nearest dollar. Amounts ending in \$.01 through \$.49 should be rounded down. Amounts ending in \$.50 through \$.99 should be rounded up.

### REPORTING CLASSIFICATIONS

Complete all items and lines on the form as given. Do not use different accounting classifications or change the wording of any item or line.

### COMPLETE ALL ITEMS 24 THROUGH 55

Complete Item 24 and all items in Statement A and Statement B. Enter "0" where appropriate.

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## LIST OF OFFICERS AND DISBURSEMENTS TO THEM

**ITEM 24. ALL OFFICERS AND DISBURSEMENTS TO OFFICERS** — List all your organization's officers and report all salaries and other direct and indirect disbursements to officers during the reporting period. However, direct and indirect disbursements not involving the payment of some form of cash (cash, checks, money orders, etc.) should not be reported in Item 24 but must be explained in Item 56. Any direct or indirect cash disbursement required to be included in Item 24 should not be reported in other disbursement items.

**NOTE:** A "direct disbursement" to an officer is a payment made by your organization to the officer in the form of cash, property, goods, services, or other things of value.

An "indirect disbursement" to an officer is a payment made by your organization to another party for cash, property, goods, services, or other things of value received by or on behalf of the officer. "On behalf of the officer" means received by a party other than the officer or your organization for the personal interest or benefit of the officer. Such payments include those made through a credit arrangement under which charges are made to the account of your organization and are paid by your organization.

**Column (A):** Enter in (A) the last name, first name, and middle initial of each person who held office in the labor organization at any time during the reporting period. Include all the labor organization's officers whether or not any salary or other disbursements were made to them or on their behalf by the labor organization. "Officer" is defined in section 3(n) of the LMRDA (29 U.S.C. 402) as "any constitutional officer, any person authorized to perform the functions of president, vice president, secretary, treasurer, or other executive functions of a labor organization, and any member of its executive board or similar governing body."

**Column (B):** Enter in (B) the title of the position each officer listed held during the reporting period. If an officer held more than

one position during the reporting period, list each additional position and the dates on which the officer held the position in Item 56 (Additional Information).

**Column (C):** Use the drop-down menu to select the status of each officer: "N" for a new officer who took office during the reporting period; "P" for a past officer who was not in office at the end of the reporting period; or "C" for a continuing officer who was in office before the reporting period and was still in office at the end of the reporting period. If any officer was not elected at a regular election in accordance with the labor organization's constitution and bylaws or other governing documents on file with OLMS, explain the manner in which the officer was chosen in Item 56 (Additional Information).

**Column (D):** Enter the gross salary of each officer (before tax withholdings and other payroll deductions). Include disbursements for "lost time" or time devoted to union activities.

**Column (E):** Enter the total of all other direct and indirect disbursements to each officer other than salary, including allowances, disbursements which were necessary for conducting official business of your organization, and disbursements essentially for the personal benefit of the officer and not necessary for conducting official business of your organization.

Examples of disbursements to be reported in Column (E) include: allowances made by direct and indirect disbursements to each officer on a daily, weekly, monthly, or other periodic basis; allowances paid on the basis of mileage or meals; all expenses that were reimbursed directly to an officer; expenses for officers' meals and entertainment; and various goods and services furnished to officers but charged to your organization. Column (E) must also include:

- the total maintenance and operating costs of any automobile owned or leased by your organization and assigned to an officer regardless of whether the use was for

official business or for the personal benefit of the officer. If more than 50% of the use of the automobile was for the personal benefit of the officer, the amount of decrease in the market value attributable to the officer's personal use must be reported in Item 56.

- all disbursements for transportation by public carrier between the officer's home and place of employment or for other transportation not involving the conduct of official business.
- all other direct and indirect disbursements to each officer not included elsewhere in this report. Include all direct and indirect disbursements which were essentially for the personal benefit of the officer and not necessary for conducting official business of your organization. However, disbursements for occasional non-cash gifts of insubstantial value need not be included in Column (E) if reported in Item 51 (Contributions, Gifts, and Grants).
- travel advances which are not considered loans as explained in the instructions for Item 18.

Do not report the following disbursements in Item 24:

- loans to officers which must be reported in Item 26 (Loans Receivable) and Item 53 (Loans Made);
- benefits to officers which must be reported in Item 50 (Benefits);
- reimbursements to an officer for the purchase of investments or fixed assets, such as reimbursing an officer for a file cabinet purchased for office use, which must be reported in Item 52 (Purchase of Investments and Fixed Assets) and explained in Item 56;
- indirect disbursements for temporary lodging (room rent charges only) or transportation by public carrier necessary for conducting official business while the officer is in travel status away from his or her home and principal place of employment

with your organization if payment is made by your organization directly to the provider or through a credit arrangement and these disbursements are reported in Item 48 (Office and Administrative Expense); however, charges other than room rent on hotel bills must be reported in Column (E);

- disbursements made by your organization to someone other than an officer as a result of transactions arranged by an officer in which property, goods, services, or other things of value were received by or on behalf of your organization rather than the officer, such as rental of offices and meeting rooms, purchase of office supplies, refreshments and other expenses of membership banquets or meetings, and food and refreshments for the entertainment of groups other than the officers and membership on official business;
- office supplies, equipment, and facilities furnished to officers by your organization for use in conducting official business; and
- maintenance and operating costs of your organization's assets other than automobiles owned or leased by your organization and assigned to officers. The software will enter on Line 8, Columns (D) and (E) the totals from any continuation pages for Item 24.

**Column (F):** The software will add Columns (D) and (E) for each of Lines 1 through 8 and enter the totals in Column (F).

The software will add Lines 1 through 8, Columns (D) through (F), and enter the totals on Line 9.

Enter on Line 10 the total amount of withheld taxes, payroll deductions, and other deductions. Disbursements for the transmittal of withheld taxes, payroll deductions, and other deductions must be reported in Item 54 (Other Disbursements). Any portion of withheld taxes or any payroll or other deductions which have not been transmitted at the end of the reporting period are liabilities of your organization and must be reported in Item 35. Payroll or other



deductions retained by your labor organization (such as repayments of loans made) must be fully explained in Item 56.

The software subtracts Line 10, from Line 9, Column F, and enters the difference on Line 11 and in Item 45 (To Officers).

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## STATEMENT A ASSETS AND LIABILITIES

The software will pre-fill Columns A and C (Start of Reporting Period) from your organization's report for the previous fiscal year. If the data is inaccurate, however, it can be edited manually. Be sure to explain any changes in Item 56.

### ASSETS

**25. CASH** — Enter the total of all your organization's cash on hand and on deposit at the start and end of the reporting period in Columns (A) and (B), respectively. Include all cash on hand, such as undeposited cash, checks, and money orders; petty cash; and cash in safe deposit boxes. Cash on deposit includes funds in banks, credit unions, and other financial institutions, such as checking accounts, savings accounts, certificates of deposit, and money market accounts. Also include any interest credited to your organization's account during the reporting period.

**NOTE:** *The checking account balances reported should be obtained from your organization's books as reconciled with the balances shown on bank statements.*

**26. LOANS RECEIVABLE** — Enter the total of all loans owed to your organization at the start and end of the reporting period in Columns (A) and (B), respectively. Include all direct and indirect loans (whether or not evidenced by promissory notes or secured by mortgages) owed to your organization by individuals, business enterprises, benefit plans, and other entities including labor organizations. An example of an indirect loan is a disbursement by your organization to an educational institution for the tuition

expense of an officer, employee, or member which must be repaid to your organization by that individual. Do not include investments in corporate bonds or mortgages purchased on a block basis through a bank or similar institution which must be reported in Item 28 (Investments).

**27. U.S. TREASURY SECURITIES** — Enter the total value of all U.S. Treasury securities as shown on your organization's books at the start and end of the reporting period in Columns (A) and (B), respectively. If the value reported is different from the original cost, the original cost must be reported in Item 56. Other U.S. Government obligations, state and municipal bonds, and foreign government securities must be reported in Item 28 (Investments).

**28. INVESTMENTS** — Enter in Columns (A) and (B), respectively, the total book value at the start and end of the reporting period of all investments other than U.S. Treasury securities. The book value of these investments is the lower of cost or market value.

**29. FIXED ASSETS** — Enter in Columns (A) and (B), respectively, the book value at the start and end of the reporting period of all fixed assets, such as land, buildings, automobiles, and office furniture and equipment owned by your organization. The book value of fixed assets is cost less depreciation.

**30. OTHER ASSETS** — Enter in Columns (A) and (B), respectively, the total value as shown on your organization's books at the start and end of the reporting period of all assets (such as accounts receivable, utility deposits, or travel advances which are not considered loans as explained in the instructions for Item 18) which have not been reported in Items 25 through 29.

**31. TOTAL ASSETS** — The software adds Items 25 through 30, Columns (A) and (B), and enters the respective totals in Item 31.

### LIABILITIES

**32. ACCOUNTS PAYABLE** — Enter the total amount of your organization's accounts payable at the start and end of the reporting period in Columns (C) and (D), respectively. Ordinarily, accounts payable are those obligations incurred on an open account for goods and services rendered.

**33. LOANS PAYABLE** — Enter in Columns (C) and (D), respectively, the total amount of all loans owed by your organization at the start and end of the reporting period, including those represented by notes. Do not include loans secured by mortgages or similar liens on real property (land or buildings) which must be reported in Item 34 (Mortgages Payable).

**34. MORTGAGES PAYABLE** — Enter the total amount of your organization's obligations which were secured by mortgages or similar liens on real property (land or buildings) at the start and end of the reporting period in Columns (C) and (D), respectively.

**35. OTHER LIABILITIES** — Enter in Columns (C) and (D), respectively, the total amount as shown on your organization's books at the start and end of the reporting period of all other liabilities not reported in Items 32 through 34.

**36. TOTAL LIABILITIES** — The software adds Items 32 through 35, Columns (C) and (D), and enters the respective totals in Item 36.

**37. NET ASSETS** — The software subtracts Item 36 (Total Liabilities), Column (C) from Item 31 (Total Assets), Column (A) and enters the difference in Item 37, Column (C). The software also subtracts Item 36, Column (D) from Item 31, Column (B) and enters the difference in Item 37, Column (D).

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## **STATEMENT B RECEIPTS AND DISBURSEMENTS**

Under Statement B, receipts must be recorded when money is actually received by the labor organization and disbursements must be recorded when money is actually paid out by the labor organization.

The purpose of Statement B is to report the flow of cash in and out of your organization during the reporting period. Transfers between separate bank accounts or between special funds of your organization, such as vacation or strike funds, do not represent the flow of cash in and out of your organization. Therefore, these transfers should not be reported as receipts and disbursements of your organization. For example, do not report a transfer of cash from your organization's savings account to its checking account. Likewise, the use of funds reported in Item 25 (Cash) to purchase certificates of deposit and the redemption of certificates of deposit should not be reported in Statement B.

Since Statement B reports all cash flowing in and out of your organization, "netting" is not permitted. "Netting" is the offsetting of receipts against disbursements and reporting only the balance (net) as either a receipt or disbursement. For example, if an officer received \$1,000 from your organization for convention expenses, used only \$800 and returned the remaining \$200, the \$1,000 disbursement must be reported in Item 24 and the \$200 receipt must be reported in Item 43. It would be incorrect to report only an \$800 net disbursement to the officer.

Receipts and disbursements by an agent on behalf of your organization are considered receipts and disbursements of your organization and must be reported in the same detail as other receipts and disbursements. For example, if your organization owns a building managed by a rental agent, the agent's rental receipts and disbursements for expenses must be reported on your organization's Form LM-3. Also, if your organization's parent body or an intermediate body functions as an agent receiving and disbursing funds of your organization to third parties, these receipts

and disbursements must be reported on your organization's Form LM-3.

### **CASH RECEIPTS**

**38. DUES** — Enter the total dues received by your organization. Include dues received directly by your organization from members, dues received from employers through a checkoff arrangement, and dues transmitted to your organization by a parent body or other affiliate. Report the full dues received, including any portion that will later be transmitted to an intermediate or parent body as per capita tax. Also report in Item 38 payments in lieu of dues received from any nonmember employees as a condition of employment under a union security provision in a collective bargaining agreement.

If an intermediate or parent body receives dues checkoff directly from an employer on behalf of your organization, do not report in Item 38 the portion retained by that organization for per capita tax or other purposes, such as a special assessment. Any amounts retained by the intermediate body or parent body other than per capita tax must be explained in Item 56. For example, if the intermediate body or parent body retained \$500 of your organization's dues checkoff as payment for supplies purchased from that body by your organization, this should be explained in Item 56 of your organization's Form LM-3 but the \$500 should not be reported as a receipt or a disbursement on your organization's Form LM-3. However, if the intermediate body or parent body disbursed part of your organization's dues checkoff on your organization's behalf, this amount should be included in Item 38 and in the appropriate disbursement item on your organization's Form LM-3. For example, if the intermediate body or parent body disbursed \$500 of your organization's dues checkoff to an attorney who had provided legal services to your organization, this amount should be reported in Item 38 and as a disbursement in Item 49 (Professional Fees) of your organization's Form LM-3.

Do not report in Item 38 dues which your organization collected on behalf of other organizations for transmittal to them. For example, if your organization received dues from a member of an affiliate who worked in your organization's jurisdiction, the dues collected on the affiliate's behalf must be reported in Item 43.

**39. PER CAPITA TAX** — Enter the total per capita tax received by your organization if your organization is an intermediate or parent body; otherwise, enter "0" in Item 39. Include the per capita tax portion of dues received directly by your organization from members of affiliates, per capita tax received from subordinates, either directly or through intermediaries, and the per capita tax portion of dues received through a checkoff arrangement whereby local dues are remitted directly to an intermediate or parent body by employers. Do not include dues collected on behalf of subordinate organizations for transmittal to them. For example, if a parent body received dues checkoff directly from an employer and returned the local's portion of the dues, the parent body must report the dues received on behalf of the local in Item 43 (Other Receipts).

### **40. FEES, FINES, ASSESSMENTS, AND WORK**

**PERMITS** — Enter your organization's receipts from fees, fines, assessments, and work permits. Receipts by your organization on behalf of affiliates for transmittal to them must be reported in Item 43 (Other Receipts).

**41. INTEREST AND DIVIDENDS** — Enter the total amount of interest and dividends received by your organization from savings accounts, bonds, mortgages, loans, investments, and all other sources.

### **42. SALE OF INVESTMENTS AND FIXED ASSETS**

— Enter the net amount received by your organization for all investments (including U.S. Treasury securities) and fixed assets sold. Do not include amounts received from the sale or redemption of investments which

were promptly reinvested (i.e., "rolled over") during the reporting period.

The amount to be excluded for each reinvestment is the lower of the following:

- the original cost of the investment sold;
- the amount reinvested when the amount received from the sale was less than the investment's original cost; or
- the amount reinvested when only a portion of the amount received from the sale was actually reinvested. Interest and dividends received during the reporting period must be reported in Item 41.

Any portion of the amount due your organization (gross sales price less deductions for selling expenses) from sales of investments and fixed assets which has not been received by the end of the reporting period must be reported in Item 30 (Other Assets). However, if a mortgage or note is taken back, it must be reported in Item 26 (Loans Receivable).

**43. OTHER RECEIPTS** — Enter all receipts of your organization other than those reported in Items 38 through 42, including proceeds from the sale of supplies, loans obtained, repayments of loans made, rents, and funds collected for transmittal to third parties.

**44. TOTAL RECEIPTS** — The software adds Items 38 through 43 and enters the total in Item 44.

#### CASH DISBURSEMENTS

**45. TO OFFICERS** — The software enters the total reported on Line 11 of Item 24.

**46. TO EMPLOYEES** — Enter the total of all salaries, allowances, travel advances which are not considered loans as explained in the instructions for Item 18, and other direct and indirect disbursements (less deductions for FICA, withheld taxes, etc.) to employees of your organization during the reporting period. Include disbursements to

individuals other than officers who receive lost time payments even if your organization does not consider them to be employees or does not make any other direct or indirect disbursements to them.

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**NOTE:** *The following worktable may be used to determine the amount to be reported in Item 46:*

A. Total Gross Salaries, Allowances, \$\_\_\_\_\_ and Other Disbursements to Employees (before withheld taxes and other deductions)

B. Subtract: Total Withheld Taxes \$\_\_\_\_\_ and Other Deductions

C. Net Disbursements to Employees \$\_\_\_\_\_

*The amount on Line C should agree with the amount reported in Item 46.*

**47. PER CAPITA TAX** — Enter your organization's total amount of per capita tax paid as a condition or requirement of affiliation with your parent national or international union, state and local central bodies, a conference, joint or system board, joint council, federation, or other labor organization.

**48. OFFICE AND ADMINISTRATIVE EXPENSE** — Enter your organization's total disbursements for its ordinary office and administrative expenses, for example, rent, utilities, office supplies, postage, subscriptions, fidelity bond premiums, etc.

As explained in the instructions for Item 24, Column (E), disbursements for hotel rooms or for transportation by public carrier of officers and employees on official business may be reported in Item 48 when payment is made directly to the provider or through a credit arrangement. Do not include in Item 48 salaries, allowances, or other direct and indirect disbursements to officers and

employees which must be reported in Items 45 and 46.

Also report in Item 48 all taxes assessed against and paid by your organization, including your organization's FICA taxes as an employer. Do not include disbursements for the transmittal of taxes withheld from the salaries of officers and employees which must be reported in Item 54. Also, do not include indirect taxes, such as sales and excise taxes, for purchases reported in other disbursement items.

**49. PROFESSIONAL FEES** — Enter your organization's total disbursements for "outside" legal and other professional services (auditing, economic research, computer consulting, arbitration, etc.). Include any disbursements made for the expenses of individuals or firms providing professional services to your organization. Do not include direct and indirect disbursements to officers and employees which must be reported in Items 45 and 46.

**50. BENEFITS** — Enter the total of all direct and indirect benefit disbursements made by your organization. Direct benefit disbursements are those made to officers, employees, members, and their beneficiaries from your organization's funds. Indirect benefit disbursements are those made from your organization's funds to a separate and independent entity, such as a trust or insurance company, which in turn and under certain conditions will pay benefits to the covered individuals. An example of an indirect benefit disbursement is the premium on group life insurance.

**51. CONTRIBUTIONS, GIFTS, AND GRANTS** — Enter the total of all disbursements for contributions, gifts, and grants made by your organization.

**52. PURCHASE OF INVESTMENTS AND FIXED ASSETS** — Enter the total disbursements for all investments and fixed assets purchased by your organization. Do not include any unpaid balances still owed which should be reported in Item 33 (Loans Payable) or Item 34 (Mortgages Payable).

Also, do not include disbursements for reinvestment in U.S. Treasury securities and investments of amounts received from sales of U.S. Treasury securities and investments as explained in the instructions for Item 42 (Sale of Investments and Fixed Assets). The amount to be excluded from Item 52 for reinvestment must be the same as the amount which was excluded from Item 42 for reinvestment.

**53. LOANS MADE** — Enter the total disbursements for loans made by your organization. Include all direct and indirect loans made to individuals, business enterprises, and other organizations, regardless of amount.

**NOTE:** *Section 503(a) of the LMRDA prohibits labor organizations from making direct or indirect loans to any officer or employee of the labor organization which results in a total indebtedness on the part of such officer or employee to the labor organization in excess of \$2,000 at any time.*

**54. OTHER DISBURSEMENTS** — Enter all disbursements made by your organization not reported in Items 45 through 53, including fees, fines, assessments, supplies for resale, repayments of loans obtained, transmittals of funds collected for third parties, educational and publicity expenses, withholding taxes, and payments for the account of affiliates and other third parties.

**55. TOTAL DISBURSEMENTS** — The software adds Items 45 through 54 and enters the total in Item 55.

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**NOTE:** *The following worktable may be used to determine that the figures for receipts, disbursements, and cash are correctly reported on your organization's Form LM-3:*

A. Cash at Start of Reporting  
\$ \_\_\_\_\_

Period — Item 25, Column (A)

B. Add: Total Receipts — Item 44

\$ \_\_\_\_\_

C. Total of Lines A and B \$ \_\_\_\_\_

D. Subtract: Total Disbursements

\$ \_\_\_\_\_

— Item 55

E. Cash at End of Period \$ \_\_\_\_\_

*If Line E does not equal the amount reported in Item 25, Column (B), there is an error in your organization's report which should be corrected.*

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## ADDITIONAL INFORMATION AND SIGNATURES

**56. ADDITIONAL INFORMATION** — Use Item 56 to provide additional information as indicated on Form LM-3 and in Section XII of these instructions. Enter the number of the item to which the information relates in the Item Number column if the software has not entered the number.

**57-58. SIGNATURES** — Electronically submitted forms must be signed digitally. To complete the electronic signature option you must have purchased an electronic digital signature. This digital signature enables you to electronically sign your report so that you can submit it to OLMS. For information on obtaining a digital signature please visit <http://www.dol.gov/esa/olms/regs/compliance/digital-signatures.htm>. If the duties of the principal executive or principal financial officer are performed by an officer other than the president or treasurer, the report may be signed by the other officer. If the report is signed by an officer other than the president or treasurer, enter the correct title in Item 57 or 58 from the drop down box, and explain in Item 56 why the president or treasurer did not sign the report. Before signing the form, enter the date the report was signed and the telephone number at which the signatories conduct official business; you do not have to report a private, unlisted telephone number.

For forms that are printed and mailed to OLMS, have the officers sign it manually and mail it to the Office of Labor-Management Standards, 200 Constitution Ave., NW, Room N-5616, Washington, DC 20210-0001. Original signatures are required on the printed Form LM-3 filed with OLMS; stamped or mechanical signatures are not acceptable. If the duties of the principal executive or principal financial officer are performed by an officer other than the president or treasurer, the report may be signed by the other officer. If the report is signed by an officer other than the president or treasurer, cross out the printed title, enter the correct title in Item 57 or 58, and explain in Item 56 why the president or treasurer did not sign the report. Enter the date the report was signed and the telephone number at which the signatories conduct official business; you do not have to report a private, unlisted telephone number.

## XII. LABOR ORGANIZATIONS THAT HAVE CEASED TO EXIST

If your organization has gone out of existence as a reporting labor organization, the last president and treasurer or the officials responsible for winding up the affairs of your organization must file a terminal financial report for the period from the beginning of the fiscal year to the date of termination. A terminal financial report must be filed if your organization has gone out of business by disbanding, merging into another organization, or being merged and consolidated with one or more labor organizations to form a new labor organization. A terminal financial report is not required if your organization changed its affiliation but continues to function as a separate reporting labor organization.

The terminal financial report may be filed on Form LM- 3 if your organization filed its previous annual report on Form LM-3 and your organization's total annual receipts, as defined in Section II of these instructions, were less than \$250,000 for the part of the last fiscal year during which your organization existed or less than \$200,000 if

your organization's last fiscal year began before July 1, 2004. (If total annual receipts were more than these limits, your organization must use Form LM-2 to file its terminal financial report.) Your organization's terminal financial report may be filed electronically or may be printed, manually signed, and submitted to the U.S. Department of Labor, Employment Standards Administration, Office of Labor-Management Standards, 200 Constitution Avenue, NW, Room N-5616, Washington, DC 20210-0001, within 30 days after the date of termination.

To complete a terminal report on Form LM-3, follow the instructions in Section XI and, in addition:

- Enter the date your organization ceased to exist in Item 2 after the word "Through."
- Select Item 3(b) indicating that your organization ceased to exist during the reporting period and that this is your organization's terminal Form LM-3.
- Enter "3(b)" in the Item Number column in Item 56 and provide a detailed statement of the reason your organization ceased to exist. Also report in Item 56 plans for the disposition of your organization's cash and other assets, if any (for example, transfer of cash and assets to the parent body). Provide the name and address of the person or organization that will retain the records of the terminated organization. If your organization merged with another labor organization, report that organization's name, address, and 6-digit file number.

Contact the nearest OLMS field office listed below if you have questions about filing a terminal report.

#### **SELECTED PROVISIONS FROM THE LABOR-MANAGEMENT REPORTING AND DISCLOSURE ACT REGULATIONS**

29 C.F.R. § 403.4 Simplified annual reports for smaller labor organizations.

(a)(1) If a labor organization, not in trusteeship, has gross annual receipts totaling less than \$250,000 for its fiscal year, it may elect, subject to revocation of the privilege as provided in section 208 of the LMRDA, to file the annual financial report called for in section 201(b) of the LMRDA and Sec. 403.3 of this part on United States Department of Labor Form LM-3 entitled "Labor Organization Annual Report," in accordance with the instructions accompanying such form and constituting a part thereof.

(2) If a labor organization, not in trusteeship, has gross annual receipts totaling less than \$10,000 for its fiscal year, it may elect, subject to revocation of the privileges as provided in section 208 of the Act, to file the annual financial report called for in section 201(b) of the Act and § 403.3 on United States Department of Labor Form LM-4 entitled "Labor Organization Annual Report" in accordance with the instructions accompanying such form and constituting a part thereof.

(b) The Secretary may revoke a labor organization's privilege to file the Form LM-3 simplified annual report described in § 403.4(a)(1) and require the labor organization to file the Form LM-2 as provided in § 403.3, if the following conditions are met:

(1) The Secretary has provided notice to the labor organization that revocation is possible if conditions warranting revocation are not remedied;

(2) The Secretary has undertaken such investigation as the Secretary deems proper revealing:

(i) The date the labor organization's Form LM-3 was due has passed and no Form LM-3 has been received; or

(ii) The labor organization filed the Form LM-3 with a material deficiency and failed to remedy this deficiency after notification by

the Secretary that the report was deficient; or

(iii) Other circumstances exist that warrant revocation of the labor organization's privilege to file the Form LM-3.

(3) The Secretary has provided notice to the labor organization of a proposed decision to revoke the filing privilege, the reason for such revocation, and an opportunity for the labor organization to submit in writing a position statement with relevant factual information and argument regarding:

(i) the existence of the delinquency or the deficiency (including whether a deficiency is material) or other circumstances alleged in the notice;

(ii) the reason for the delinquency, deficiency or other cited circumstance and whether it was caused by factors reasonably outside the control of the labor organization; and

(iii) any other factors, including those in mitigation, the Secretary should consider in making a determination regarding whether the labor organization's privilege to file the Form LM-3 should be revoked.

(4) The Secretary (or a designee who has not participated in the investigation), after review of all the information collected and provided, shall issue a determination in writing to the labor organization. If the Secretary determines that the privilege shall be revoked, the Secretary will inform the labor organization of the reasons for the determination and order it to file the Form LM-2 for such reporting periods as the Secretary finds appropriate.

(c) A labor organization that receives a notice as set forth in §403.4(b)(3) must submit its written statement of position and any supporting facts, evidence, and argument by mail, hand delivery, or by alternative means specified in the notice to the Office of Labor-Management Standards (OLMS) at the address provided in the notice within 30 days after the date of the

letter proposing revocation. If the 30th day falls on a Saturday, Sunday, or Federal holiday, the submission will be timely if received by OLMS on the first business day after the 30th day. Absent a timely submission to OLMS, the proposed revocation shall take effect automatically unless the Secretary in his or her discretion determines otherwise.

(d) The Secretary's determination shall be the Department's final agency action on the revocation.

(e) For purposes of this section, a deficiency is "material" if in the light of surrounding circumstances the inclusion or correction of the item in the report is such that it is probable that the judgment of a reasonable person relying upon the report would have been changed or influenced.

(f) A local labor organization not in trusteeship, which has no assets, no liabilities, no receipts and no disbursements during the period covered by the annual report of the national organization with which it is affiliated need not file the annual report required by § 403.2 if the following conditions are met:

(1) It is governed by a uniform constitution and bylaws filed on its behalf pursuant to § 402.3(b) of this chapter, and does not have governing rules of its own;

(2) Its members are subject to uniform fees and dues applicable to all members of the local labor organizations for which such simplified reports are submitted;

(3) The national organization with which it is affiliated assumes responsibility for the accuracy of, and submits with its annual report, a separate letter-size sheet for each local labor organization containing the following information with respect to each local organization in the format illustrated below as part of this regulation:

(i) The name and designation number or other identifying information;



(ii) The file number which the Office of Labor-Management Standards has assigned to it;

(iii) The mailing address;

(iv) The beginning and ending date of the reporting period which must be the same as that of the report for the national organization;

(v) The names and titles of the president and treasurer or corresponding principal officers as of the end of the reporting period;

(4) At least thirty days prior to first submitting simplified annual reports in accordance with this section, the national organization notifies the Office of Labor-Management Standards in writing of its intent to begin submitting simplified annual reports for affiliated local labor organizations;

(5) The national organization files the terminal report required by 29 CFR 403.5(a) on Form LM-3 or LM-4, as may be appropriate, clearly labeled on the form as a terminal report, for any local labor organization which has lost its identity through merger, consolidation, or otherwise if the national organization filed a simplified annual report on behalf of the local labor organization for its last reporting period; and

(6) The national organization with which it is affiliated assumes responsibility for the accuracy of, and submits with its annual report and the simplified annual reports for the affiliated local labor organizations, the following certification properly completed and signed by the president and treasurer of the national organization:

#### CERTIFICATION

We, the undersigned, duly authorized officers of [name of national organization], hereby certify that the local labor organizations individually listed on the attached documents come within the purview of 29 CFR 403.4(b) for the reporting period from [beginning date of national

organization's fiscal year] through [ending date of national organization's fiscal year], namely:

(1) they are local labor organizations; (2) they are not in trusteeship; (3) they have no assets, liabilities, receipts, or disbursements; (4) they are governed by a uniform constitution and bylaws, and fifty copies of the most recent uniform constitution and bylaws have been filed with the Office of Labor-Management Standards; (5) they have no governing rules of their own; and (6) they are subject to the following uniform schedule of fees and dues: [specify schedule for dues, initiation fees, fees required from transfer members, and work permit fees, as applicable].

Each document attached contains the specific information called for in 29 CFR 403.4(b)(3)(i)-(v), namely: (i) the local labor organization's name and designation number; (ii) the file number assigned the organization by the Office of Labor-Management Standards; (iii) the local labor organization's mailing address; (iv) the beginning and ending date of the reporting period; and (v) the names and titles of the president and treasurer or corresponding principal officers of the local labor organization as of [the ending date of the national organization's fiscal year].

Furthermore, we certify that the terminal reports required by 29 CFR 403.4(b)(5) and 29 CFR 403.5(a) have been filed for any local labor organizations which have lost their identity through merger, consolidation, or otherwise on whose behalf a simplified annual report was filed for the last reporting period.

(Format for Simplified Annual Reporting)

#### SIMPLIFIED ANNUAL REPORT

Affiliation name:

Designation name and number:

Unit name:

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Note: Forms LM-3 and LM-4 were revised at 58 FR 67594, December 21, 1993.

Mailing address:

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Name of person:

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Number and street:

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City, State and zip:

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[28 FR 14383, Dec. 27, 1963, as amended at 37 FR 10669, May 26, 1972; 41 FR 27318, July 2, 1976; 42 FR 59070, Nov. 15, 1977; 45 FR 7525, Feb. 1, 1980; 50 FR 31309, 31310, Aug. 1, 1985; 57 FR 49290, 49357, Oct. 30, 1992; 58 FR 28308, May 12, 1993; 62 FR 6092, Feb. 10, 1997; 64 FR 71623, Dec. 21, 1999; 65 FR 21141, April 20, 2000]

File number:

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Period covered:

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From Through

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Names and Titles of president and treasurer  
or corresponding principal officers

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For certification see NHQ file folder file  
number:

President

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Where signed

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Date

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Treasurer

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Where signed

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Date

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**OLMS Field Offices**

The Office of Labor-Management Standards has field offices located in the following cities to assist you if you have any questions concerning LMRDA and CSRA reporting requirements.

Atlanta, GA  
Boston, MA  
Buffalo, NY  
Chicago, IL  
Cincinnati, OH  
Cleveland, OH  
Dallas, TX  
Denver, CO  
Detroit, MI  
Los Angeles, CA  
Milwaukee, WI  
Nashville, TN  
New Orleans, LA  
New York, NY  
Philadelphia, PA  
Pittsburgh, PA  
St. Louis, MO  
San Francisco, CA  
Seattle, WA  
Washington, DC

Consult local telephone directory listings under United States Government, Labor Department, Office of Labor-Management Standards, for the address and phone number of your nearest field office. This information is also available at [www.olms.dol.gov](http://www.olms.dol.gov).

Copies of labor organization annual financial reports, employer reports, labor relations consultant reports, and other reports, filed for the year 2000 and after can be viewed and printed at [www.unionreports.gov](http://www.unionreports.gov). Copies of reports for the year 1999 and earlier can be ordered through the website.

Information about OLMS, including key personnel and telephone numbers, compliance assistance materials, the text of the LMRDA, and related Federal Register and Code of Federal Regulations (CFR) documents, is also available on the Internet at: [www.olms.dol.gov](http://www.olms.dol.gov).

For questions on Form LM-3 and the instructions, call the Department of Labor's toll-free number at: 1-866-4-USA-DOL (1-866-487-2365) or email [olms-public@dol.gov](mailto:olms-public@dol.gov).

If you would like to receive via email periodic updates from the Office of Labor-Management Standards, including information about the LM forms, enforcement results, and compliance assistance programs, you may subscribe to the OLMS Mailing List from the OLMS Web site: [www.olms.dol.gov](http://www.olms.dol.gov).