

DOL Proposal has Many Changes for LM-2 Filers

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The U.S. Department of Labor (DOL) proposed a rule on September 30, 2020 that would make labor unions provide more information in their annual financial disclosures to the DOL, including a more detailed itemization of its receipts and disbursements. The DOL's [notice of proposed rulemaking](#) would expand what unions must disclose to the DOL's Office of Labor-Management Standards (OLMS) in their annual Form LM-2 returns, requiring large unions to file a lengthier LM-2 "long form," or LM-2 LF, that includes a new breakdown of functional categories, disclosure of strike fund amounts, and changes to presentation and disclosures in many areas.

Under the proposal, unions with more than \$8 million (based on the Small Business Administration's definition of a small entity, as identified by North American Industry Classification System (NAICS) codes. 13 C.F.R. 121.201) in annual receipts must submit the Form LM-2 LF with a dozen new or expanded sections. A proposed new LM-2, which also has many of the new proposed changes will be required for unions with cash receipts from \$250,001 to \$8 million.

The most significant changes included in the proposal are as follows:

Item 10 (Trust or Other Fund) – The DOL proposes to redesignate current Item 10 as Item 10(a). The Department also proposes a new Item 10(b), concerning payments from more than one union. Item 10(b) would inquire whether, during the reporting period, an officer or employee who was paid \$10,000 or more by the reporting organization, also received \$10,000 or more as an officer or employee of another labor organization, in gross salaries, allowances, and other direct and indirect disbursements during the reporting period. If the answer is "Yes," the labor organization would provide additional information in Item 75 (Additional Information).

Item 11 (Political Action Committee (PAC) Funds, Subsidiary Organizations, and Strike Funds) – The DOL proposes no changes to current Items 11(a) (Political Action Committee Funds) and 11(b) (Subsidiary Organization). However, the DOL proposes a new

Item 11(c), in which the union would be required to report if it has a separate strike fund. If the answer is "Yes," the union must provide, in Item 75 (Additional Information), the amount of funds in the strike fund as of the close of the reporting period.

Item 23 (Accounts Receivable) – The DOL proposes to increase the \$5,000 reporting threshold to \$7,500. Accounts Receivable of less than \$7,500 need not be reported.

Item 30 (Accounts Payable) – The Department proposes to raise the \$5,000 reporting threshold for that Schedule to a \$7,500 threshold. Accounts payable of less than \$7,500 need not be reported.

Item 43 (Sale of Investments and Fixed Assets (Schedule 4)) – The DOL proposes to divide Item 43 (Sale of Investments and Fixed Assets) into two items:

- The Department proposes to add two new columns to Schedule 4, Sale of Fixed Assets. The first new column entitled "Name and Address of Purchaser (A)" would disclose the purchasers of fixed assets from the labor organization. A second column, "Date (C)" would disclose the date of the sale.
- In the new Schedule 3, Sale of Investments, the Department has proposed to add two new columns. The first new column, entitled "Name and Address of Purchaser or Financial Management Firm (A)," would disclose the purchasers of investments from the labor organization. A second column "Date (C)" would disclose the date of the sale.

Item 50 (Representational Activities) – The DOL proposes to divide Item 50 (Representational Activities) into two items.

- Existing Item 50 would be renumbered/rename to "Item 51 (Contract Administration and Negotiation)."
- A new "Item 52 (Organizing)" would be added.

Item 51 (Political Activities and Lobbying) – The Department proposes to divide existing Item 51 (Political Activities and Lobbying) into two items:

- Existing Item 51 would be renumbered/renamed to “Item 53 (Political Activities).”
- A new “Item 54 (Lobbying)” would be added.

Item 60 (Purchase of Investments and Fixed Assets) –

The DOL proposes to divide existing Item 60 (Purchase of Investments and Fixed Assets) into “Item 63 (Purchase of Investments)” and “Item 64 (Purchase of Fixed Assets).” In the new Schedule 5, Purchase of Investments, the DOL proposes to add two new columns:

- The first new column entitled “Name and Address of Seller or Financial Management Firm (A)” would disclose the identity of the seller of investments to the labor organization, and;
- A second new column would disclose the date of the purchase.

On proposed “Schedule 6, Purchase of Fixed Assets,” labor organizations would report disbursements for the purchase of fixed assets.

Schedules 11 and 12, All Officers and Disbursements to Officers/Employees – The Department proposes two revisions to the instructions to this Schedule:

- Eliminating functional reporting of union officer/employee time, and;
- Eliminating the reporting exception for indirect disbursements for travel-related expenses when payment is made by the labor organization directly to the provider or through a credit arrangement. This includes temporary lodging (room rent charges only) and transportation by public carrier.

New Schedule 32, Foreign Transactions – The DOL seeks comment on whether to establish a new “Schedule 32, Foreign Transactions” on Form LM-2 LF if the labor union engages in a transaction with a foreign entity or a foreign individual.

Other Proposed or Contemplated Changes (Additional Schedules)

The Department has proposed additional Schedules (to require itemization over \$5,000) in most of the remaining categories of receipts and disbursements. This will include dues and agency fees, per capita tax and rents to name a few.

The Confidentiality Exemption

Finally, the DOL seeks comment on whether all transactions greater than \$5,000 should be identified by amount and date in the relevant Schedules. If, on the other hand, a confidentiality exemption should be retained, the Department seeks comments on the scope of the exemption.

The public will have 60 days to file comments on the proposal once it’s published in the *Federal Register*. To review a [draft Form LM-2 LF click here](#).

We will keep you posted as this issue develops. In the interim, if you have any questions or need further assistance please don’t hesitate to contact us.