

Refresher: DOL LM-2 Disbursement Classifications

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Over ten years have passed since the Department of Labor (DOL) significantly revised the Form LM-2, *Labor Organization Annual Report*. Those revisions included the addition of separate Schedules for disbursements which require the categorization of expenses and officer/employee time into one of five categories. Those categories are: 1) Representational Activities, 2) Political Activities and Lobbying, 3) Contributions, Gifts, and Grants, 4) General Overhead, and 5) Union Administration. Within these separate Schedules, the Form LM-2 requires itemized reporting for each entity paid \$5,000 and the type of business or job classification description for that entity. Further, each individual disbursement(s) of \$5,000 or more to that entity has to include the date of payment, the purpose and the amount. This article focuses on defining the five categories, identifying adequate purpose descriptions for each of the five categories, and determining how to classify officer/employee time into the five categories.

The DOL provided instructions which contained definitions of what these five categories are supposed to include. However, most organizations still struggle with how to categorize their disbursements and officer/employee time. Furthermore, questions often arise as to what purpose to use for itemized disbursements. This refresher will assist with those issues.

Representational Activities include (Schedule 15):

- Preparation for, and participation in, the negotiation of Collective Bargaining Agreements (CBAs)
- Administration and enforcement of the CBA
- Efforts to become the exclusive bargaining representative for any unit of employee
- Recruiting new members
- Efforts to keep from losing a unit in a decertification election or to another union

Examples of purposes for Representational Activities include: contract negotiation, grievance arbitration,

litigation regarding interpretation of a CBA, organizing, opposition research, etc.

Political Activities and Lobbying includes (Schedule 16):

- Political disbursements or contributions in money
- Entities and individuals 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)
- Political disbursements or contributions that are 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
- Get-out-the-vote and voter education campaigns
- Expenses for establishing, administering and soliciting contributions to Political Action Committees (PACs)
- Disbursements to political organizations

Examples of purposes for Political Activities and Lobbying include: registration drive, get-out-the-vote campaign, voter education campaign, fundraising, advocating or opposing legislation/regulations, etc.

Contributions, Gifts, and Grants include (Schedule 17):

- Charitable contributions
- Contributions to scholarship funds
- Grants to affiliates

Examples of purposes for Contributions, Gifts and Grants include: medical research, community development, job retraining, education, disaster/relief assistance, youth sponsorships, etc.

General Overhead includes (Schedule 18):

- Not allocable to any of the other disbursement categories

Purpose for General Overhead should include sufficient detail to determine why the disbursement cannot be allocated to another Schedule.

Union Administration includes (Schedule 19):

- Nomination and election of officers
- Union's regular membership meetings
- Intermediate, national, and international meetings
- Union disciplinary procedures
- Administration of trusteeships
- Administration of apprenticeship and member education programs (does not include political education which should be reported in Schedule 16)
- Preparation of Form LM-2

Examples for Union Administration include membership meetings, legal expenses for administration of trusteeship, accounting and consulting expenses for preparation of Form LM-2, etc.

Officers and employees should allocate their time each year into the same five categories mentioned above. Timesheets are not required but good faith estimates must be made to the nearest 10%. A helpful tool for your organization is to require an annual statement from each officer/employee to support their allocation percentages. The allocation of time should be completed based on how the employee or officer spends their time. For example, an officer of an International labor union may allocate his/her time as follows: 75% Union Administration, 15% Representational Activities, and 10% General Overhead. While an employee in the accounting department of a Local or International union may allocate their time as follows: 75% General Overhead and 25% Union Administration.

Instructions for the DOL Form LM-2 can be found at <http://www.dol.gov/olms/regs/compliance/EFS/LM-2InstructionsEFS.pdf>.