



## ***Reporting by Labor Organizations of Receipts and Disbursements Made by a Parent Body on Behalf of a Subordinate Body***

The Office of Labor-Management Standards (OLMS) enforces certain provisions of the Labor-Management Reporting and Disclosure Act (LMRDA), including reporting and disclosure requirements for labor unions. Labor unions exist in complex hierarchies that may consist of local, intermediate, and national/international unions.

This *Compliance Tip* discusses the LMRDA reporting requirements for **receipts** and **disbursements** by a parent labor organization on behalf of a subordinate body or other affiliate. Affiliates are labor organizations chartered by the same parent body, governed by the same constitution and bylaws, or having the relationship of parent and subordinate. The term “parent body” as used in this compliance tip includes national and international unions but also applies to an intermediate body or other affiliate that receives dues checkoff payments on behalf of a subordinate affiliate.

### ***The Local or Other Subordinate Body***

The total dues **receipts** that labor organizations must report on their annual financial disclosure forms (in either Item 36 of Form LM-2 (Dues and Agency Fees), Item 38 of Form LM-3 (Dues), or Item 16 (Receipts) of Form LM-4) include those dues transmitted by the parent body to the subordinate organization, such as dues checkoff amounts received on behalf of a local labor organization and then remitted to that local.

#### ***Amounts retained by the parent body***

Pursuant to the instructions for Item 36 of Form LM-2 and Item 38 of Form LM-3, any portion of dues checkoff amounts that is retained by the parent body for per capita tax or other purposes, such as a special assessment, should not be reported on the local labor organization’s Form LM-2 or Form LM-3 as either a receipt or a disbursement. Any amounts other than per capita tax that are retained by the parent body should be explained in the local’s report, in “Additional Information” (in Item 69 of Form LM-2 or Item 56 of Form LM-3 or Item 19 of Form LM-4).

#### ***Amounts transmitted to an affiliate on the local’s behalf***

Any portion of dues checkoff amounts that the parent body transmits to an affiliate on the local’s behalf must be included on the local’s report as both a **receipt** (Item 36 of Form LM-2, Item 38 of Form LM-3 or Item 16 of Form LM-4) and a **disbursement** in the appropriate disbursement item (depending upon the purpose of the disbursement).

#### ***Amounts disbursed to third parties on the local’s behalf***

If a local labor organization’s parent body functions as an agent receiving funds on behalf of the local labor organization and disbursing funds to third parties on the local’s behalf, those receipts and disbursements must be reported on the local’s annual financial disclosure form as a **receipt** (in Item 36 of Form LM-2, Item 38 of Form LM-3 or Item 16 of Form LM-4) and as a **disbursement** (in the appropriate disbursement item depending upon the purpose of the disbursement).

For example, if a parent body receives a local's dues and makes **disbursements** from that money for the local to pay the local's bills (such as payments to an attorney for legal services involving an organizing effort (in Form LM-2, Item 50; Form LM-3, Item 54; or Form LM-4, Item 17) or to a surety company for bonding premiums in Form LM-2, Item 54; Form LM-3, Item 48; or Form LM-4, Item 17), or if a parent body disburses money to a state or local central body on the local's behalf for per capita tax (Form LM-2, Item 56; Form LM-3, Item 47; or Form LM-4, Item 17), those receipts and disbursements must be included in the local's report.

The local union may choose to note in Additional Information, referenced above, the purpose of these indirect disbursements made on its behalf by the parent body.

To determine whether funds belong to the local or to the parent body, it is necessary to examine such factors as whether the funds are earmarked for the local in a financial account on the parent body's books or in some other manner, and whether a local's officers have the authority to direct the disbursement of the funds.

### ***Amounts received from members and disbursed on their behalf***

Should the dues checkoff payment received by the parent body include amounts from members in addition to dues which, if received directly by the local, would be reported as receipts from members for disbursement on their behalf (such as contributions from members to charities or voluntary payments from members for insurance premiums), the local does not have to report this money when it is disbursed by the parent body. In this situation the contributions neither belong to the local nor have they ever been in the custody or control of the local.

### **Parent Labor Organizations**

#### ***Amounts retained by the parent body or transmitted to the local after collection on the local's behalf***

Parent bodies that collect dues by checkoff on behalf of their subordinate bodies must report as **receipts** any dues checkoff amounts retained by the parent body and therefore received from subordinates as per capita tax in Item 37 of Form LM-2 (Item 39 of Form LM-3 and the general receipt Item 16 of Form LM-4) and the dues checkoff amounts to be remitted to their subordinate bodies in Item 46 of Form LM-2 (On Behalf of Affiliates for Transmittal to Them) (Item 43 (Other Receipts) of Form LM-3 and Item 16 (Receipts) of Form LM-4). Correspondingly, any dues checkoff amounts remitted to subordinate bodies should be reported as a **disbursement** in Item 63 of Form LM-2 (To Affiliates of Funds Collected on Their Behalf) (Item 54 (Other Disbursements) of Form LM-3 and the general disbursement Item 17 of Form LM-4).

#### ***Amounts transmitted to an affiliate or third party on the local's behalf***

Additionally, the parent bodies should report as **receipts** in Item 48 of Form LM-2 (Other Receipts) (or Item 43 (Other Receipts) of Form LM-3 and Item 16 of Form LM-4) any dues checkoff payments received on behalf of their subordinate bodies and later disbursed to affiliates or third parties on behalf of the subordinates. These disbursements made on behalf of the subordinate bodies should be reported as **disbursements** in Item 53 of Form LM-2 as General Overhead (Item 54 (Other Disbursements) of Form LM-3 and Item 17 (Disbursements) of Form LM-4). The parent bodies should also note in Additional Information the purpose of these indirect disbursements made on behalf of their subordinate bodies.

### Example:

Pursuant to a dues checkoff arrangement with a local, an employer remits \$1,200 to an intermediate body affiliated with the local, and the intermediate body then reallocates the dues money on behalf of the local as follows:

Intermediate Body: retains \$100 in per capita  
National: \$300 in per capita  
State or Local Central Body (SLCB): \$200 in per capita  
Law Firm: \$200 for work on organizing campaign performed on behalf of local  
Local: \$400

The local and the intermediate body should report on their annual financial disclosure reports the receipts and disbursements as follows:

#### **Local Union**

##### Form LM-2

**Item 36** (Dues and Agency Fees): \$1,100 (dues received by the intermediate body on behalf of the local, minus the \$100 retained by the intermediate body for per capita)

**Item 50** (Representational Activities): \$200 to law firm for work on organizing campaign

**Item 56** (Per Capita Tax): \$500 (per capita sent to the national and the SLCB on the local's behalf)

##### Form LM-3

**Item 38** (Dues): \$1,100 (dues received by the intermediate body on behalf of the local, minus the \$100 retained by the intermediate body for per capita)

**Item 47** (Per Capita Tax): \$500 (per capita sent to the national and the SLCB on the local's behalf)

**Item 54** (Other Disbursements): \$200 to law firm for work on organizing campaign

##### Form LM-4

**Item 16** (Receipts): \$1,100 (dues received by the intermediate body on behalf of the local, minus the \$100 retained by the intermediate body for per capita)

**Item 17** (Disbursements): \$700 (\$500 per capita sent to the national and the SLCB on the local's behalf and the \$200 sent to the law firm for work on organizing campaign)

#### **Intermediate Body**

##### Form LM-2

**Item 37** (Per Capita Tax): \$100 (per capita dues retained)

**Items 46** (On Behalf of Affiliates for Transmittal to Them) and **Item 63** (To Affiliates of Funds Collected on Their Behalf): \$400 (dues received on behalf of the local and disbursed to the local)

**Item 48** (Other Receipts) and **Item 53** (General Overhead): \$700 (dues received on behalf of the local and disbursed to the national, SLCB, and law firm on its behalf)

**Item 69** (Additional Information): explanation of the purpose of these indirect disbursements made on behalf of its local union.

Form LM-3

**Item 39** (Per Capita Tax): \$100 (per capita dues retained)

**Items 43** (Other Receipts) and **Item 54** (Other Disbursements): \$1,100 (the local's dues received by the intermediate and disbursed on the local's behalf)

Form LM-4

**Item 16** (Receipts): \$1,200 (all dues received by the intermediate on behalf of the local)

**Item 17** (Disbursements): \$1,100 (all dues disbursed by the intermediate on behalf of the local, portion transmitted to local, and the payment to the law firm)

For the address and telephone number of our field offices, please see:

<https://www.dol.gov/agencies/olms/contact/regions>.

# OLMS

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