

# IOWA ETHICS AND CAMPAIGN DISCLOSURE BOARD

An Independent Agency of the Executive Branch

MEGAN TOOKER  
Executive Director  
& Legal Counsel

510 East 12<sup>th</sup>, Suite 1A  
Des Moines, Iowa 50319  
Telephone 515-281-4028/Fax 515-281-4073  
[www.iowa.gov/ethics](http://www.iowa.gov/ethics)

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September 27, 2018

The Honorable Mike Sexton  
2202 Ogden Avenue  
Rockwell City, IA 50579

Dear Representative Sexton:

The purpose of this letter is to memorialize our recent conversations and correspondence about your campaign's payments to Tall Corn Property LLC. To recap, you and your wife purchased a commercial building located at 1106 10th Avenue in Manson in November 2015. Tall Corn Property LLC is a business entity that manages this property. Tall Corn Property LLC is owned by you and your wife. In August of 2016, your campaign, Citizens for Sexton, began paying Tall Corn Property LLC for HQ Expenses/rent. The first payment appears to be for four months of rent and utilities. Thereafter, your campaign has continued to pay \$400/month to Tall Corn Property LLC. An individual brought to my attention that you own Tall Corn Property LLC and questioned whether this rent is a legitimate expense.

Iowa Code section 68A.302 permits campaign funds to be used only for campaign purposes, educational and other expenses associated with the duties of office or constituency services and prohibits campaign funds to be used for personal expenses or personal benefit. This section further prohibits payment to a candidate or the candidate's immediate family (spouse or dependent child) as a salary, gratuity, or other compensation. However, reimbursement of permissible expenses is allowed. Finally, section 68A.302 prohibits payments clearly in excess of fair market value of the item or service purchased.

We permit the expenditure of campaign funds for campaign headquarters or office space. See Iowa Admin. Code r. 351—4.25(1)(k) (allowing the "[p]urchase or lease of campaign office space, parking lots or storage space and the payment for campaign office utilities and maintenance). The question is whether this space is being used for campaign and/or constituency services and whether \$400 is the fair market value of the space your campaign is renting. You told me your campaign is renting approximately 1200 square feet at a cost of \$300 plus \$100 for utilities. You told me you use the space to store campaign items, such as yard signs, and for office space to work and meet people. You further informed me that until recently a trucking company occupied the rest of the building. You told me you charged the trucking company .66/square

foot as opposed to the .25/square foot you charge your campaign. You advised me that the trucking company asked to rent the entire building but you declined because you needed the space for your campaign and the trucking company recently relocated to a different building.

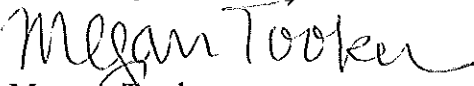
You further provided me with copies of paid invoices for rent that were issued to Manson Transportation Service as well as a letter from a realtor and certified appraiser who offered the opinion that your LLC is charging your campaign less than fair market value for rent.

Based on the totality of the circumstances, I am satisfied that the amount your LLC is charging your campaign for rent and utilities appears reasonable and is not "clearly in excess of fair market value." Iowa Code § 68A.302(2)(j). Thus, in accordance with Iowa Code section 68A.302, it is permissible for your campaign to rent the above-described office space from your LLC for \$400 (including utilities).

As you know, the Ethics Board is required to "[r]eview the contents of all campaign finance disclosure reports and statements filed with the board and promptly advise each person or committee of errors found." See Iowa Code § 68.32A(4). The Board's legislative auditor, Vanessa Sayasane, has reviewed your most recent disclosure reports and will follow up with you about any information she needs to finish her routine audit.

Please let me know if you have any questions.

Sincerely,

  
Megan Tooker