



FEDERAL ELECTION COMMISSION
Washington, DC

VIA UPS - SIGNATURE REQUESTED

February 12, 2025

Carl Boyanton

[REDACTED]
Diamondhead, MS 39525

RE: MUR 7680
Palazzo for Congress and Paul
Kilgore in his official capacity as
treasurer
Steven Palazzo

Dear Mr. Boyanton:

This is in reference to the complaint you filed with the Federal Election Commission on January 17, 2020, concerning Steven Palazzo and Palazzo for Congress and Paul Kilgore in his official capacity as treasurer (the "Committee"). The Commission found that there was reason to believe the Committee violated 52 U.S.C. § 30114(b), a provision of the Federal Election Campaign Act of 1971, as amended, and conducted an investigation in this matter. On January 13, 2025, a conciliation agreement signed by counsel for the respondents was accepted by the Commission. Accordingly, the Commission voted to close the file in this matter effective today.

Documents related to the case will be placed on the public record today. *See* Disclosure of Certain Documents in Enforcement and Other Matters 81 Fed. Reg. 50,702 (Aug. 2, 2016). Copies of the Factual and Legal Analysis and the Conciliation Agreement are enclosed for your information, along with any applicable Statements of Reasons available at the time of this letter's transmittal.

If you have any questions, I can be reached at (202) 694-1650 or rcoll@fec.gov.

Sincerely,

Rachel Coll

Rachel Coll
Staff Attorney

Enclosure

BEFORE THE FEDERAL ELECTION COMMISSION

In the Matter of)	
)	
Palazzo for Congress and Paul Kilgore)	MUR 7680
in his official capacity as treasurer)	
Steven Palazzo)	

CONCILIATION AGREEMENT

This matter was generated by a complaint filed with the Federal Election Commission (the “Commission”). The Commission found reason to believe that Steven Palazzo and Palazzo for Congress and Paul Kilgore in his official capacity as treasurer (“the Committee”) (collectively, “Respondents”) violated 52 U.S.C. § 30114(b) of the Federal Election Campaign Act of 1971, as amended (the “Act”), by converting campaign funds to personal use.

NOW, THEREFORE, the Commission and Respondent, having participated in informal methods of conciliation, prior to a finding of probable cause to believe, do hereby agree as follows:

I. The Commission has jurisdiction over Respondent and the subject matter of this proceeding, and this Agreement has the effect of an agreement entered pursuant to 52 U.S.C. § 30109(a)(4)(A)(i).

II. Respondent has had a reasonable opportunity to demonstrate that no action should be taken in this matter.

III. Respondent enters voluntarily into this Agreement with the Commission.

IV. The pertinent facts in this matter are as follows:

1. Steven Palazzo served as the U.S. Representative for Mississippi’s 4th Congressional District from January 3, 2011 until January 3, 2023.

2. The Committee was Palazzo's principal campaign committee, and Paul Breazeale was the Committee's treasurer when the violations are alleged to have occurred. Paul Kilgore is the current Committee treasurer.

3. From January 2019 through August 2019, the Committee paid \$3,000 per month for "rent" to Greene Acres, LLC, an entity solely owned by Steven Palazzo for use of the River House, located in D'Iberville, Mississippi and owned by Steven Palazzo, as a campaign office. In lease discussions with the Committee's then-treasurer, Palazzo noted that "[m]ortgage plus insurance and tax are right at \$3,000." During that time, the Committee paid a total of \$24,000 to Palazzo, through Greene Acres, LLC, for "rent" until the River House was sold on August 29, 2019. In addition to the monthly rent payments, the Committee made payments during that time totaling \$7,848.99 for utilities, maintenance, and repairs to the River House, all while Palazzo made efforts to sell the property.

4. The Committee's lease of River House began in February 2018. For many years prior to renting the River House, the Committee had regularly paid monthly storage fees, primarily to John Fayard Moving and Storage. The storage payments stopped, however, around the time that the Committee began to lease the River House and resumed when the Committee's lease of the River House ended. Prior to February 2018, the Committee paid Fayard \$127 a month for storage. After a March 23, 2018 \$127 payment, the Committee made no further payments to Fayard for storage until November 22, 2019, when it resumed monthly payments of \$160 to Fayard for storage.

5. From March 2018 until June 2021, the Committee paid \$65,893.51 for car lease and other vehicle-related expenses. Palazzo acknowledged to the Committee treasurer that the vehicle had also been used for personal travel and determined that he would designate 20% of

MUR 7680 (Palazzo for Congress, *et al.*)

Conciliation Agreement

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the vehicle costs as personal and reimburse the Committee for that amount. In December 2020, Respondents increased the reimbursement rate to 50%. In April 2021, Palazzo decided to pay for the entire costs of the campaign vehicles and it was backdated to the beginning of that year. No mileage logs were kept tracking non-campaign use of the vehicles, and it is not clear how Palazzo arrived at the 20% and 50% reimbursement calculations. The Committee has received approximately \$23,202.46 in vehicle-related reimbursements from Palazzo, which Respondents contend represents a good faith effort to properly apportion the shared use of the campaign vehicle.

6. The Committee reported various other reimbursements from Palazzo, including professional dues and travel. For example, Palazzo reimbursed the Committee \$1,612.14 on June 10, 2020, for “CPA license fees, dues and [Continuing Professional Education (“CPE”)] costs.” In total, the Committee reported \$9,459.19 in miscellaneous reimbursements from Palazzo that were unrelated to the River House and vehicle expenses.

V. The pertinent law in this matter is as follows:

1. In general, the Act affords federal candidates and their campaign committees wide discretion in the disposition of their campaign funds and provides that contributions accepted by a candidate may be used by the candidate “for otherwise authorized expenditures in connection with the campaign for Federal office of the candidate” and “for ordinary and necessary expenses incurred in connection with duties of the individual as a holder of Federal office.” 52 U.S.C. § 30114(a)(1). Nonetheless, campaign funds cannot be converted to “personal use” by “any person.” 52 U.S.C. § 30114(b)(1). Conversion to personal use occurs when funds in a campaign account are used “to fulfill any commitment, obligation, or expense of

a person that would exist irrespective of the candidate's election campaign or individual's duties as a holder of Federal office." *Id.* § 30114(b)(2); 11 C.F.R. § 113.1(g).

2. The Act and Commission regulations set forth certain uses of campaign funds that constitute conversion to personal use *per se*, including a home mortgage, rent, utility payments, and non-campaign-related automobile expenses. 52 U.S.C. § 30114(b)(2)(A)-(I); 11 C.F.R. § 113.1(g). For all other disbursements, the regulation provides that the Commission shall determine on a case-by-case basis whether a given disbursement is personal use by applying the "irrespective test" formulated in the statute. 11 C.F.R. § 113.1(g)(1)(ii).

3. The Act and Commission's regulations specifically identify non-campaign related automobile vehicles as a *per se* personal use violation. 52 U.S.C. § 30114(b)(2)(C); 11 C.F.R. § 113.1(g)(1)(ii)(D). If a committee uses campaign funds to pay expenses associated with a vehicle that is used for both personal activities beyond a *de minimis* amount and campaign or officeholder related activities, "the portion of the vehicle expenses associated with the personal activities is personal use," unless the campaign account is reimbursed within 30 days for the expenses associated with the personal activities. 11 C.F.R. § 113.1(g)(1)(ii)(D). For uses of campaign funds that are both personal use and campaign or officeholder use, "a contemporaneous log or other record must be kept to document the dates and expenses related to the personal use" and this log or record must be updated with each personal use. 11 C.F.R. § 113.1(g)(8).

4. Commission regulations also provide that "whenever an authorized committee itemizes a disbursement that is partially or entirely a personal use for which reimbursement is required . . . it shall provide a brief explanation of the activity for which reimbursement is required." 11 C.F.R. § 104.3(b)(4)(B).

5. Following the 2018 general election, the Committee converted campaign funds to personal use for payments to rent Palazzo's River House and for payments for maintenance, repairs, and utilities at the River House. The Committee conducted almost no campaign activity at the River House in 2019, beyond utilizing the space for storage. Thus, the portion of the Committee's payments for use of the River House in 2019 that were in excess of the fair market value of the property's usage as a storage space and the repairs which were unrelated to the Committee's use of the property constituted personal use.

6. The Committee further converted campaign funds to personal use when Palazzo used Committee vehicles for non-campaign-related purposes, and the Committee made payments for car leases and vehicle-related expenses, without maintaining mileage logs, and Palazzo has only reimbursed the Committee for a portion of the personal use expenses related to the vehicles.

7. The Committee reported various other personal-use reimbursements by Palazzo, including for professional dues and travel, which were not timely reimbursed.

8. As to the personal use of the vehicle and the River House/campaign office, the Committee contends that Palazzo properly apportioned the costs of the campaign vehicle based upon the amount of campaign use versus personal use and that Palazzo's reimbursements to the Committee of a total of \$32,661 for personal use of the vehicle and other miscellaneous expenses adequately covered any potential personal expenses. Respondents also maintain that they never intended to convert campaign funds to personal use and were otherwise not familiar with Commission reimbursement procedures and log-keeping requirements at the time of the events covered. Nevertheless, Respondents agree not to contest the Commission's reason to believe finding and to resolve this matter solely to avoid costly and burdensome legal

proceedings. Respondents further contend that Palazzo has reimbursed the Committee for his estimate of the personal use expenses, and Palazzo submits that this amount satisfied this issue.

9. In order to settle this matter, however, Respondents will not contest the Commission's reason to believe finding. Respondents contend that they did not understand the nature of the violations at the time of the conduct and therefore did not intend to convert funds to personal use.

10. This Agreement concludes all pending allegations related to this matter between the Commission and the Respondents.

VI. Respondents agree not to contest the Commission's reason to believe finding with respect to the following violations of the Act:

1. Steven Palazzo and the Committee violated 52 U.S.C. § 30114(b) by converting Committee funds to personal use.

VII. Respondents will take the following actions:

1. Palazzo will pay a civil penalty to the Commission in the amount of Thirteen Thousand Five Hundred Dollars (\$13,500) pursuant to 52 U.S.C. § 30109(a)(5)(A).

2. Palazzo will reimburse the Committee an additional Sixteen Thousand Five Hundred Dollars (\$16,500) to pay any outstanding debts of the campaign and provide proof of the same to the Commission within thirty (30) days of the date this Agreement becomes effective. If necessary, the Committee will work with the Commission's Reports Analysis Division to create a Debt Settlement Plan.

3. Steven Palazzo and the Committee will cease and desist from violating 52 U.S.C. § 30114(b).

VII. The Commission, on request of anyone filing a complaint under 52 U.S.C. § 30109(a)(1) concerning the matters at issue herein or on its own motion, may review compliance with this Agreement. If the Commission believes that this Agreement or any requirement thereof has been violated, it may institute a civil action for relief in the United States District Court for the District of Columbia.

VIII. This Agreement shall become effective as of the date that all parties hereto have executed the same and the Commission has approved the entire agreement.

IX. Respondent shall have no more than 30 days from the date this Agreement becomes effective to comply with and implement the requirements contained in this Agreement and to so notify the Commission.


X. This Conciliation Agreement constitutes the entire agreement between the parties on the matters raised herein, and fully resolves the violations arising out of the facts raised in this matter, and no other statement, promise, or agreement, either written or oral, made by either party or by agents of either party, that is not contained within this written Agreement shall be enforceable.

FOR THE COMMISSION:

BY: _____
 Lisa J. Stevenson
 Acting General Counsel

 Date

FOR THE RESPONDENT:



 Gregg Harper
 Attorney

12/3/2024

 Date