

SB184 Letter of Support.pdf

Uploaded by: Erica Joseph

Position: FAV

Community Foundation

OF THE EASTERN SHORE

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Confirmed in Compliance with
Community Foundations
National Standards

January 10, 2025

Testimony on Senate Bill 184

Charitable Organizations - Late Fees and Registration – Suspension and Cancellation Requirements Senate Judicial Proceedings Committee

Position: Favorable

The Community Foundation of the Eastern Shore serves the counties of Somerset, Wicomico and Worcester. We urge you to support Senate Bill 184 authorizing the Secretary of State to issue regulations that allow them to exercise flexibility in enforcement actions for late or missing registrations or payments.

Most nonprofits in Maryland, and our service area, are led by part-time or volunteer staff, with governing boards comprised of unpaid volunteers. Through our due diligence process for grantmaking, we review the federal and state level status of each nonprofit we support.

Usually when we identify a nonprofit that has fallen behind in required state filings, it is the result of unintentional error or a lack of full understanding of these requirements. We work diligently to help local nonprofits understand their compliance responsibilities but transitions in leadership can also make it difficult to have a consistent transfer of knowledge.

It is not uncommon in smaller organizations for one person to help manage compliance paperwork and processes for a considerable time. If they leave, pass away, or become incapacitated, without transferring records it is not uncommon for there to be some delay in other members being able to fully understand the next steps.

Also, the requirements themselves can be confusing for individuals without adequate background. They sometimes feel that filing the required federal annual 990 and their Maryland 'Annual Report' with SDAT is all that's required.

Some groups go dormant for months or years without activity and newer members seeking to re-activate it find that records are incomplete or missing, and that there are numerous unpaid fees and unfiled reports. The current practice of the Secretary of State's Office, to prioritize obtaining compliance rather than penalties, is more appropriate in many of these situations than a referral to the CCU where fines and penalties can balloon to a level that leads to abandonment of an otherwise worthwhile effort. Senate Bill 184 does not preclude the Secretary's Office from the option of pursuing forced collection or penalties in cases where it is deemed appropriate.

We urge you to give Senate Bill 184 a FAVORABLE report.

Erica Joseph, President

SB 184 -Supp - JPR - Charitable Organizations - La

Uploaded by: Henry Bogdan

Position: FAV



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January 14, 2025

Testimony on Senate Bill 184
Charitable Organizations - Late Fees and Registration –
Suspension and Cancellation Requirements
Senate Judicial Proceedings Committee

Position: Favorable

Maryland Nonprofits is a statewide association of almost 2000 nonprofit organizations and institutions. We urge you to support Senate Bill 184 authorizing the Secretary of State to issue regulations that allow them to exercise flexibility in enforcement actions for late or missing registrations or payments.

The majority of nonprofits in Maryland are led by part-time or volunteer staff, and their governing boards are almost, if not entirely composed of unpaid volunteer directors. The majority of cases that come to our attention (and many do) where a nonprofit has fallen behind in required state filings are the result of unintentional failures to be aware of or to understand all of these requirements.

In some cases the problem is one of continuity. These are situations, not uncommon in smaller organizations, are where one person has handled the group's 'paperwork' for a considerable time, but has left, died or become incapacitated, without transferring records at all or without assuring a replacement is aware of all of the requirements.

Also, the requirements themselves can be confusing for individuals without adequate background. They sometimes feel that filing the required federal annual 990 and their Maryland 'Annual Report' with SDAT is all that's required.

Some groups go dormant for months or years without activity and newer members seeking to re-activate it find that records are incomplete or missing, and that there are numerous unpaid fees and unfiled reports. The current practice of the Secretary of State's Office, to prioritize obtaining compliance rather than penalties, is more appropriate in the majority of these situations, than referral to the CCU where fines and penalties can balloon to a level that leads to abandonment of an otherwise worthwhile effort.

Senate Bill 184 does not preclude the Secretary's Office from the option of pursuing forced collection or penalties in cases where it is deemed appropriate.

We urge you to give Senate Bill 184 a FAVORABLE report.



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Uploaded by: Michael Lore

Position: FAV

STATE OF MARYLAND

EXECUTIVE DEPARTMENT

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SUSAN C. LEE
SECRETARY OF STATE

January 14th, 2025

Senate Judicial Proceedings Committee

OSOS Departmental - Favorable

Senate Bill 184 – Charitable Organizations – Late Fees and Registration – Suspension and Cancellation Requirements

Senate Bill 184 is an effort to clarify an interpretation of our responsibility to regulate charitable organizations. The need for this bill arose when the Office of Legislative Audits, in their view, found that our collections should go to the Central Collections Unit (CCU), however, this would create problems with our ability to bring charities into compliance with the law.

This bill is nearly identical to SB262 from last session, which passed out of this committee unanimously. The only change is that we corrected a drafting error that added words that confused the intent and purpose of the clarification. The CCU is an improper system to use for our functions, because the total amount due is not set in stone, and sending collections to CCU would take away our control to negotiate with the entity and bring it into compliance with the law. Moreover, it would be a waste of resources and an unreasonable burden to place on good faith charitable organizations trying to follow our law.

The OLA OSOS audit for the period of 2017-2021 had a finding 2c to “refer delinquent accounts to CCU for collection assistance, as required by State regulations,” that our agency disagreed with because the law has been previously inferred to not obligate us to refer the collection of late fees from charitable organizations to the CCU for practicable purposes. The OSOS refers to delinquent charities internally as those who do not appear to be in compliance with OSOS annual filing and registration requirements.

The OSOS has the authority to extend the time period for filing annual reports without limitation. (Section 6-407(c) provides the Secretary of State shall assess late fees 60 days after the end of the organization’s fiscal year OR after the period of extension that may be granted by the Secretary of State.) We should also be able to suspend the collection when we are working with the charity to bring them into compliance. Our office works with charities, we are not adversarial.

With high turnover within charities, added fees and interest penalties should be used with discretion and careful consideration to ensure charitable assets are used for their intended charitable purpose. Our office requires the latitude SB 184 provides to assist these charities. For these reasons, the OSOS respectfully requests a favorable report on Senate Bill 184.

2025-01-14 SB184 Support.pdf

Uploaded by: Tiffany Clark

Position: FAV



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STATE OF MARYLAND
OFFICE OF THE ATTORNEY GENERAL

ANTHONY G. BROWN
Attorney General

January 14, 2025

TO: The Honorable Will Smith, Jr.
Chair, Judicial Proceedings Committee

FROM: Tiffany Clark
Chief, Legislative Affairs, Office of the Attorney General

RE: SB184– Charitable Organizations - Late Fees and Registration - Suspension
and Cancellation Requirements- **Support**

The Office of the Attorney General requests a favorable report of Senate Bill 184. This bill will clarify existing statutory authority for the Secretary of State or the Attorney General to settle late fee violations with charitable organizations who fail to timely file annual reports and disclosures, and it follows the current practice of how the Secretary of State resolves late fee violations. It is not intended to create or modify the existing responsibilities of the Office of the Secretary of State, beyond allowing for the cancellation of registrations for long-term non-compliant charitable organizations.

Under the Maryland Solicitations Act, the Secretary ‘assesses’ late fees (Bus. Reg. § 6-407(c)(2)), while late filing charitable organizations have the affirmative duty to “remit” the late fees (Bus. Reg. § 6-407(c)(3)). The Office of the Secretary of State has interpreted this to allow for the suspension of late fees in settlement, particularly when charitable organizations have made good faith and substantial efforts to return to compliance after falling behind with their disclosures. The goal behind suspending late fees is to incentivize charities to make the required public disclosures and maintain compliance with the law’s annual filing requirements.

The legislation informs the Office of the Attorney General’s ability to resolve registration violations on behalf of the Secretary of State when these matters are referred to our office. Further, the proposed cancellation provision will improve the Office of the Attorney General’s ability to serve the Secretary of State when working with charities returning to compliance, as well as better inform and educate the public on the registration status of charitable organizations that fail to file timely annual reports. This legislation will also allow the Secretary of State to better inform the

public about the charities authorized to solicit in Maryland and support those charitable organizations that have made substantial and good faith efforts to return to compliance. For the foregoing reasons the Office of the Attorney General requests a favorable report on Senate Bill 184.

CC: Will Smith Chair, Judicial Proceedings Committee
Judicial Proceedings Committee Members