

MARYLAND REGISTER

Proposed Action on Regulations

Transmittal Sheet PROPOSED OR REPROPOSED Actions on Regulations	Date Filed with AELR Committee	TO BE COMPLETED BY DSD
	04/05/2016	Date Filed with Division of State Documents
		Document Number
		Date of Publication in MD Register

1. Desired date of publication in Maryland Register: 5/13/2016

2. COMAR Codification

Title Subtitle Chapter Regulation

01 02 04 20-1

3. Name of Promulgating Authority

Division of State Documents

4. Name of Regulations Coordinator

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Title 01
EXECUTIVE DEPARTMENT
Subtitle 02 SECRETARY OF STATE

01.02.04 Charitable Organizations: Substantive Regulations

Authority: State Government Article, Sec. 6-204, Annotated Code of Maryland

Notice of Proposed Action

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The Secretary of State proposes to amend Regulation .20-1 under COMAR 01.02.04 Charitable Organizations: Substantive Regulations.

Statement of Purpose

The purpose of this action is to ease the annual filing burdens and costs of private foundations affiliated with a State agency that must register with the Office of the Secretary of State by raising the threshold at which an audit is required with its registration statement and agreed upon procedures report.

Comparison to Federal Standards

There is no corresponding federal standard to this proposed action.

Estimate of Economic Impact

I. Summary of Economic Impact.

There will be a cost savings for charitable organizations.

II. Types of Economic Impact.	Revenue (R+/R-) Expenditure (E+/E-)	Magnitude
A. On issuing agency:	(E-) NONE	Unknown
B. On other State agencies:	NONE	
C. On local governments:	NONE	
	Benefit (+) Cost (-)	Magnitude
D. On regulated industries or trade groups:	(+) NONE	Unknown

E. On other industries or trade groups: NONE

F. Direct and indirect effects on public: NONE

III. Assumptions. (Identified by Impact Letter and Number from Section II.)

A(). Organizations impacted: Private foundations affiliated with a state agency that receive at least \$100,000 but less than \$500,000 in charitable contributions, and who are therefore required to register with the Office of the Secretary of State. The cost of an audit, for a smaller organization, costs approximately \$10,000 and sometimes more. For charitable organizations affiliated with a state agency receiving at least \$100,000 but less than \$200,000 in charitable contributions per year, it will save approximately \$10,000 or more (the cost of an audit with agreed upon procedures report). For charitable organizations affiliated with a state agency receiving at least \$200,000 but less than \$500,000 in charitable contributions per year, it will save approximately \$5,000 or more (the difference between the cost of an audit with agreed upon procedures report and a financial review).

D(). Organizations impacted: Private foundations affiliated with a state agency that receive at least \$100,000 but less than \$500,000 in charitable contributions, and who are therefore required to register with the Office of the Secretary of State. The cost of an audit, for a smaller organization, costs approximately \$10,000 and sometimes more. For charitable organizations affiliated with a state agency receiving at least \$100,000 but less than \$200,000 in charitable contributions per year, it will save approximately \$10,000 or more (the cost of an audit with agreed upon procedures report). For charitable organizations affiliated with a state agency receiving at least \$200,000 but less than \$500,000 in charitable contributions per year, it will save approximately \$5,000 or more (the difference between the cost of an audit with agreed upon procedures report and a financial review).

Economic Impact on Small Businesses

The proposed action has minimal or no economic impact on small businesses.

Impact on Individuals with Disabilities

The proposed action has no impact on individuals with disabilities.

Opportunity for Public Comment

Comments may be sent to Michael Schlein, Charities Investigator, Charities Division, Office of the Secretary of State, State House, Annapolis, MD 21401, or call 410-260-3879, or email to michael.schlein@maryland.gov, or fax to 410-974-5527. Comments will be accepted through June 13, 2016. A public hearing has not been scheduled.

Economic Impact Statement Part C

- A. Fiscal Year in which regulations will become effective: FY 17
- B. Does the budget for the fiscal year in which regulations become effective contain funds to implement the regulations?
- C. If 'yes', state whether general, special (exact name), or federal funds will be used:
- D. If 'no', identify the source(s) of funds necessary for implementation of these regulations:
- E. If these regulations have no economic impact under Part A, indicate reason briefly:
- F. If these regulations have minimal or no economic impact on small businesses under Part B, indicate the reason and attach small business worksheet.
- G. Small Business Worksheet:
- 1a. Intended Beneficiaries:
Primarily businesses.
- 1c. Intended Beneficiaries: Businesses:
Charitable organizations affiliated with a state agency receiving at least \$100,000 but less than \$500,000 in charitable contributions per year are the intended beneficiary.
- 2a. Other Direct or Indirect Impacts: Adverse:
There is no adverse impact on businesses.
- 2b. Other Direct or Indirect Impacts: Positive:
This proposed action will ease the filing burden and costs on private foundations affiliated with a state agency that must also register with the Office of the Secretary of State to solicit charitable contributions and receive at least \$100,000 but less than \$500,000 in charitable contributions per year.
3. Long-Term Impacts:
No adverse impacts in the long-term. Beneficial impact in the long-term is that the filing burden will be lessened on private foundations affiliated with a state agency that register with the Office of the Secretary of State to solicit charitable contributions and receive at least \$100,000 but less than \$500,000 in charitable contributions per year.
4. Estimates of Economic Impact:
The proposed action has no economic impact in these areas.

Attached Document:

.20-1 Private Foundations Affiliated with State Agencies.

A. A private foundation affiliated with a State agency[, which raises more than \$100,000 in charitable contributions and] *that* is required to register with the Secretary of State as a charitable organization[,] shall file with its registration statement and with each annual report an audit prepared in accordance with generally accepted auditing standards *if it is required to do so under Business Regulation Article, §6-402(b)(8)(i), Annotated Code of Maryland.*

B.—F. (text unchanged)

JOHN C. WOBENSMITH
Secretary of State