

Department of Legislative Services  
Maryland General Assembly  
2009 Session

FISCAL AND POLICY NOTE

House Bill 452  
Economic Matters

(Delegate Haddaway, *et al.*)

Judicial Proceedings

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Business Regulation - Charitable Organizations - Audits and Reviews

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This bill raises the income levels that determine whether a charitable organization in the State must submit an audit or review. Charitable organizations with gross annual incomes of more than \$500,000 from charitable donations must submit an audit performed by an independent certified public accountant (CPA) when registering with the Secretary of State. Charitable organizations with gross incomes between \$200,000 and \$500,000 must submit a review by a CPA; the Secretary of State may require an audit or review if the amount of gross income is less than \$500,000.

The bill takes effect June 1, 2009.

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Fiscal Summary

**State Effect:** None. The change is technical in nature and does not directly affect governmental finances.

**Local Effect:** None.

**Small Business Effect:** Potential Minimal.

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Analysis

**Current Law:** Before a charitable organization solicits contributions in the State, or has contributions solicited for on its behalf, it must register and receive a registration letter from the Secretary of State. A charitable organization based in the State also may not solicit donations outside the State without the proper registration.

In addition to the information and materials required in statute to complete the registration statement, charitable organizations must submit an audit by a CPA if the gross income from contributions in the most recent fiscal year is at least \$200,000, or a review by a CPA if the gross income from contributions from the last fiscal year is between \$100,000 and \$200,000. The Secretary of State may require an audit or review if the amount of gross income is less than \$200,000.

A charitable organization includes:

- a person that is or holds itself out to be a benevolent, educational, eleemosynary, humane, patriotic, philanthropic, or religious organization and solicits or receives charitable contributions from the public;
- an ambulance, fire fighting, fraternal, rescue, or police or other law enforcement organization when it solicits charitable contributions from the public; or
- an area, branch, chapter, office, or similar affiliate that solicits charitable contributions from the public within the State for a charitable organization located outside the State.

Charitable organizations are exempt from the registration requirement under certain circumstances, most notably if they are religious organizations.

**Background:** There are about 8,500 registered charitable organizations in Maryland and several hundred charitable representatives. The Secretary of States' Office processes about 600 new registrations each year.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 806 (Senators Colburn and Brinkley) - Judicial Proceedings.

**Information Source(s):** Secretary of State, Department of Legislative Services

**Fiscal Note History:** First Reader - February 16, 2009  
ncs/mcr

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