

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 239

(Chair, Economic Matters Committee)(By Request -
Departmental - Secretary of State)

Economic Matters

**Charitable Organizations - Late Fees and Registration - Suspension and
Cancellation Requirements**

The departmental bill authorizes the Secretary of State (SOS) to suspend or waive late filing fees for charitable organizations and establish related regulations, as specified. The bill establishes that a late fee may not be considered a delinquent account or debt requiring referral to the Central Collection Unit (CCU) for collection purposes. The bill also establishes how SOS may cancel the registration of a charitable organization that fails to file specified reports, and how a charitable organization may request that SOS reinstate a canceled registration. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: The bill is not anticipated to materially affect State finances; provisions related to suspension or waiving of late filing fees conforms statute to current practice.

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: The Office of the Secretary of State has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: SOS may cancel the registration of a charitable organization if the organization failed to submit (1) a specified statement of intent and final annual report

within three years after the date that the statement of intent and final annual report were due or (2) any annual report or updates as required under current law for a three-year period. Prior to canceling a registration, SOS must send a notice of cancellation to the last known address and email address of the organization.

A charitable organization may request that SOS reinstate a registration canceled under the bill's provisions if the organization (1) submits to SOS any outstanding or missing annual reports, supporting materials, and annual fees; (2) remits all unpaid late fees, or had late fees suspended as waived; (3) is in good standing with the State Department of Assessments and Taxation, if applicable; (4) has a current tax-exempt status, if applicable, and (5) provides any other information that SOS requires.

Current Law/Background:

Charitable Organizations – Fees, Annual Report, and Late Fees

Generally, a charitable organization that collects less than \$25,000 in charitable contributions from the public in the year does not need to pay an annual fee. Each charitable organization that submits a separate registration statement and collects at least \$25,000 in charitable contributions in a year must pay a specified annual fee based on the charitable contributions collected. A charitable organization must file an annual report with SOS within six months of the end of the organization's fiscal year. Failure to do so results in a fine of \$25 for each month or part thereof after the report was due. Charitable organizations intending to end soliciting must submit to SOS a statement of their intent and a final annual report within six months after the end of its fiscal year.

Revenue from late fees accrues to the Charitable Enforcement Fund, a special, nonlapsing fund that supports SOS and the Attorney General in carrying out their duties, as specified. At the close of fiscal 2024, the fund had a balance of approximately \$3.0 million.

Audit Findings

The Office of Legislative Audits (OLA) conducted a fiscal compliance audit of SOS between December 2017 and November 2021. OLA found, among other things, that SOS did not investigate charitable organizations that failed to comply with the annual registration requirements under State law and did not monitor related fees incurred by delinquent organizations and refer those accounts to CCU for collection. SOS did not concur with OLA's findings and stated that it had authority to not submit those delinquent fees to CCU. That audit, which includes SOS's objections, can be read [here](#).

Waiving Late Fees for Charitable Organizations

SOS advises that it does not currently forward delinquent charitable organizations to CCU because doing so eliminates any possibility of negotiating with those organizations to bring them back into compliance with reporting requirements and annual fee payments. SOS further advises that the bill is intended to clarify authority it believes it already possesses to waive or delay late fees, in addition to making it easier for SOS to assist charitable organizations in coming back into compliance with State law.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See SB 262 of 2024.

Designated Cross File: SB 184 (Chair, Judicial Proceedings Committee)(By Request - Departmental - Secretary of State) - Judicial Proceedings.

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

Fiscal Note History: First Reader - January 10, 2025
rh/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Charitable Organizations - Late Fees and Registration - Suspension and Cancellation Requirements

BILL NUMBER: HB 239

PREPARED BY: Michael Lore

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

N/A