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Legislative District 9B  
Howard County

DEPUTY MAJORITY WHIP

Appropriations Committee

*Subcommittees*

Oversight Committee on Pensions

Vice Chair, Transportation  
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THE MARYLAND HOUSE OF DELEGATES  
ANNAPOLIS, MARYLAND 21401

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HB-72 Business Regulation - Charitable Contribution - Definition

**SPONSOR:** Delegate Courtney Watson

**POSITION:** Favorable

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The state has an interest in regulating the solicitation and disposition of noncash donations made to charities. By ensuring that the financial activities of a charity are correctly reported, financial review and/or audit requirements are warranted for charities exceeding certain financial thresholds. In Maryland law, \$750,000 in revenue will flag a non-profit for an audit review. However, large noncash contributions may trigger audit requirements that assume that revenue is mostly cash, leaving nonprofits with small cash budgets unable to pay for the audit which can cost anywhere from \$10,000 to \$25,000 or more.

As a result of these policies, charities that primarily collect, refurbish, and redistribute noncash contributions of property (for example - bicycles, sporting goods, food, furniture, household goods, books) may have large reportable gross revenues due to the value of the property they collect, even though these types of nonprofits are working with small cash flows.

Nonprofits that collect and redistribute large amounts of property while utilizing small amounts of cash have an outsized impact in underserved communities. When these types of nonprofits are flagged and are required to submit to an audit, it can cost them thousands of dollars that the organization may not have the cash flow to cover. The state law disincentivizes good property based small non-profits from meeting important community needs and positively affecting the environment by repurposing.

HB72 will change the law to not require an audit in very limited circumstances if the nonprofit meets the certain criteria developed by the Secretary of State's office. We thank the Secretary of State's office for working with us to make sure this bill has narrow application to avoid unintended consequences, but modifies unreasonable requirements for small nonprofits that are largely driven by property donations, not cash donations.

Thank you for your consideration of this bill. I am happy to answer any questions.

*Courtney Watson*

Delegate Courtney Watson  
Howard County District 9B