

Charitable Contributions Testimony.docx (1).pdf

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Appropriations Committee

Subcommittees

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

March 22, 2023

HB-72 Business Regulation - Charitable Contribution - Definition

SPONSOR: Delegate Courtney Watson

POSITION: Favorable

Good afternoon Chair Smith, Vice Chair Waldstreicher, and members of the Senate Judicial Proceedings Committee. Thank you for allowing me to present House Bill 72.

HB-72 is a crossfile of Senate Bill 254, which this committee and the Senate passed unanimously this legislative session. 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. The Secretary of State's office requested an additional amendment after HB-72 had already passed the House; however, this committee did vote on the Senate amendment creating a \$300,000 cap on cash receipts.

I ask that this committee adopt the amendment added to Senate Bill 254. For these reasons, we respectfully ask for a favorable report.

Courtney Watson

Delegate Courtney Watson
Howard County District 9B

HB72_JPR_SecofState.pdf

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SUSAN C. LEE
SECRETARY OF STATE

March 22, 2023

House Bill 72- Business Regulation – Charitable Organizations

Senate Judicial Proceedings Committee

Thank you, Chairman Smith, Vice Chair Waldstreicher, and distinguished members of the Judicial Proceedings Committee. The Office of the Secretary of State urges the Committee to make conforming and technical amendments to HB72 to ensure appropriate implementation.

Technical amendments are sought to clarify the intended reach of the new provisions and ensure clarity on how the new provisions are to be implemented by the Secretary of State's Charitable Organizations Division. The changes allow for the Secretary of State to accept other documentation in place of an audit or review for certain, small charitable organizations, who may otherwise be required to submit an independent financial review or audit with an annual registration.

Amendments that have already been made to the Senate Bill cross-file included substantive statutory provisions and a cap on charitable contributions and were the result of careful review and collaboration between the Secretary of State and the bill sponsor.

- Note the language that this committee added in the Senate Bill 254 cross-file 6-402(c)(1)(l) qualifying language for "PRIMARILY SOLICITS "IN-KIND" CONTRIBUTIONS;

In addition to this substantive change already reflected in the SB, we ask your consideration of the following two technical amendments needed for effective and clear implementation:

- Add after the word including in proposed 6-402(c): "*from certain charitable organizations that primarily solicit and receive noncash contributions,*".
- Substitute "noncash" for "in-kind" in the proposed 6-402(c)(l)(i).

To conclude, we believe these amendments are needed to ensure that the purpose of the bill is clear and to ensure there is no confusion about how the new provisions are to be properly implemented. We respectfully request a favorable motion with these amendments.