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House Economic Matters Committee

Senate Bill 262 – Charitable Organizations – Late Fees and Registration – Suspension and Cancellation Requirements *OSOS Departmental - Favorable with Amendments*

Senate Bill 262 is an effort to clarify an interpretation of our responsibility to regulate charitable organizations. The need for this bill arose when the Office of Legislative Audits found that our collections should go to the Central Collections Unit (CCU), but this would create problems within our ability to bring charities into compliance with the law.

There is a clarifying amendment we also propose, which is to simply remove the language referring to **["THE IMPOSITION OR COLLECTION OF"]** in two locations within the bill. This language could confuse the intended purpose of the bill, which is not to create new duties for the agency, but simply allow us to settle or waive certain requirements of charitable organizations to bring them into conformity with law. The CCU is improper for our functions, but the total amount due is not set and we lose control to negotiate with the entity when the fees are transferred to the CCU. Moreover, it would be a waste of resources and an unreasonable burden to place on good faith charitable organizations trying to follow our law.

The OLA OSOS audit for the period of 2017-2021 had a finding 2c to “refer delinquent accounts to CCU for collection assistance, as required by State regulations,” that our agency disagreed with because the law has been previously inferred to not obligate use to refer the collection of late fees from charitable organizations to the CCU for practicable purposes. The OSOS refers to delinquent charities internally as those who do not appear to be in compliance with OSOS annual filing and registration requirements.

The OSOS has the authority to extend the time period for filing annual reports without limitation (Section 6-407(c) provides the Secretary of State shall assess late fees 60 days after the end of the organization’s fiscal year OR after the period of extension that may be granted by the Secretary of State.)

With high turnover within charities, added fees and interest penalties should be used with discretion and careful consideration to ensure charitable assets are used for their intended charitable purpose. For these reasons, the OSOS respectfully requests a favorable report on Senate Bill 291, with our suggested clarifying amendment, that the Senate committee chair has agreed to but forgot to include during the voting session.