

January 22, 2025

Testimony on House Bill 239
Charitable Organizations - Late Fees and Registration –
Suspension and Cancellation Requirements
House Economic Matters Committee

Position: Favorable

Maryland Nonprofits is a statewide association of almost 2000 nonprofit organizations and institutions. We urge you to support House Bill 239 authorizing the Secretary of State to issue regulations that allow them to exercise flexibility in enforcement actions for late or missing registrations or payments.

The majority of nonprofits in Maryland are led by part-time or volunteer staff, and their governing boards are almost, if not entirely composed of unpaid volunteer directors. The majority of cases that come to our attention (and many do) where a nonprofit has fallen behind in required state filings are the result of unintentional failures to be aware of or to understand all of these requirements.

In some cases the problem is one of continuity. These are situations, not uncommon in smaller organizations, are where one person has handled the group's 'paperwork' for a considerable time, but has left, died or become incapacitated, without transferring records at all or without assuring a replacement is aware of all of the requirements.

Also, the requirements themselves can be confusing for individuals without adequate background. They sometimes feel that filing the required federal annual 990 and their Maryland 'Annual Report' with SDAT is all that's required.

Some groups go dormant for months or years without activity and newer members seeking to re-activate it find that records are incomplete or missing, and that there are numerous unpaid fees and unfiled reports. The current practice of the Secretary of State's Office, to prioritize obtaining compliance rather than penalties, is more appropriate in the majority of these situations, than referral to the CCU where fines and penalties can balloon to a level that leads to abandonment of an otherwise worthwhile effort.

House Bill 239 does not preclude the Secretary's Office from the option of pursuing forced collection or penalties in cases where it is deemed appropriate.

We urge you to give House Bill 239 a FAVORABLE report.