

SENATE BILL REPORT

SB 5164

As Reported by Senate Committee On:
Labor, Commerce & Consumer Protection, February 10, 2011

Title: An act relating to registration of charitable organizations.

Brief Description: Concerning the registration of charitable organizations.

Sponsors: Senators Schoesler and Delvin.

Brief History:

Committee Activity: Labor, Commerce & Consumer Protection: 1/20/11, 2/07/11, 2/10/11 [DPS].

SENATE COMMITTEE ON LABOR, COMMERCE & CONSUMER PROTECTION

Majority Report: That Substitute Senate Bill No. 5164 be substituted therefor, and the substitute bill do pass.

Signed by Senators Kohl-Welles, Chair; Conway, Vice Chair; Holmquist Newbry, Ranking Minority Member; King, Assistant Ranking Minority Member; Hewitt, Keiser and Kline.

Staff: Mac Nicholson (786-7445)

Background: The Charitable Solicitations Act (CSA) regulates charitable organizations and commercial fund raisers in the state. Charitable organizations must register with the Secretary of State prior to conducting any solicitations or requests for a contribution. Registrations must be renewed annually. The initial registration fee for a charitable organization is \$60, with a \$40 renewal fee. A portion of each registration and renewal fee is placed into the state general fund, with the remainder deposited into the charitable organization education account.

Each application for registration, whether initial or renewal, must include specific information as provided in statute, including a solicitation report of the organization for the preceding accounting year. The solicitation report must include the types of solicitations conducted; the dollar value of contributions received; the total amount of money applied to charitable purposes, fund-raising costs, and other expenses; and the contact information of any commercial fund-raiser used by the organization.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Organizations that raise less than \$25,000 per year are exempt from registration, provided the fund-raising is conducted by volunteers and the officers or members of the organization do not receive assets or benefits from the organization.

Summary of Bill (Recommended Substitute): The CSA is re-organized and changes are made to language throughout the CSA to provide consistency with defined terms. Charitable organizations and commercial fund raisers are considered registered 20 days after receipt of the registration or renewal form by the Secretary of State (SOS), and may engage in solicitation of contributions at that point. If the application is incomplete, or the registration fee isn't paid, the SOS can hold the application for 30 days. If the organization fails to correct their application, all solicitations must immediately stop.

Registration is annual for organizations that receive more than \$100,000 in contributions per year. Registration is good for two years for organizations that raise less than \$100,000 – though such organizations can register annually if so desired.

Charitable organizations that file federal tax forms are not required to file a copy of the tax form with the SOS if the organization makes the tax form available for public inspection under federal law. Social security numbers and financial account numbers in CSA documents are not public information. Commercial fund raisers must disclose the names of any entity to which any cost is to be paid. The SOS is given the authority to send notices electronically, set the amount of the surety bond to be filed by commercial fund raisers, and notify the public when an entity is soliciting without being registered as required.

EFFECT OF CHANGES MADE BY LABOR, COMMERCE & CONSUMER PROTECTION COMMITTEE (Recommended Substitute): The substitute adds language that re-organizes sections and provides language consistency in the CSA. The substitute also adds provisions about registration and renewals, provides disclosure requirements, and gives the SOS certain authority to regulate charitable organizations and commercial fund raisers.

The substitute changes the renewal period for organizations that receive less than \$100,000 in contributions per year from a three -year period to a two-year period, though such organizations can register annually if so desired.

Appropriation: None.

Fiscal Note: Available.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill: PRO: This is a relatively simple bill. This issue arose when the Washington Wheat Foundation was sent a bill for a form they never received. Volunteers at charities put in a lot of time for relatively small amounts of money and instead of an annual registration, the state should move to a three-year

registration to make sure it's worth a volunteer's time. This gives small charities one less paperwork burden.

OTHER: This bill will reduce financial and paperwork burden and those are important issues; however, the bill as written could cause some confusion. The language as written could lead to misleading financial information which the public uses to make decisions about donations; as, the financial information would only be updated once every three years. Legislation has been drafted to help reduce the paperwork burden for charities and streamline the process.

Persons Testifying: PRO: Senator Schoesler, prime sponsor.

OTHER: Linda Shea, Office of the Secretary of State.