

Honolulu, Hawaii

FEB 27 2014

RE: S.B. No. 2250
S.D. 2

Honorable Donna Mercado Kim
President of the Senate
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Madam:

Your Committee on Judiciary and Labor, to which was referred
S.B. No. 2250, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO CHARITABLE SOLICITATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require certain disclosures on collections boxes used for donations of salvageable personal property by for-profit and nonprofit organizations;
- (2) Clarify the registration requirements for Hawaii domiciled charitable organizations and by nonprofits covered by the Internal Revenue Service Group Exemption Ruling;
- (3) Authorize the Attorney General to require electronic financial reporting by professional solicitors;
- (4) Impose a fee for late financial reports by professional solicitors;
- (5) Amend the time within which commercial co-venturers are required to provide a final accounting to a charitable organization; and
- (6) Make other technical and housekeeping amendments to chapter 467B, Hawaii Revised Statutes.



Your Committee received testimony in support of this measure from the Department of the Attorney General. Your Committee received comments on this measure from the Hawaiian Humane Society and Hawaii Alliance of Nonprofit Organizations.

Your Committee finds that this measure provides greater protections for consumers and donors by establishing new disclosure requirements at collection bins operated by for-profit and nonprofit organizations. This measure also facilitates the Attorney General's transition to electronic registration systems and provides greater clarity to registered charitable organizations, commercial co-venturers, and professional solicitors.

Your Committee notes the testimony submitted by the Department of the Attorney General that suggests further clarification is necessary regarding the required collection box disclosures in this measure, especially with respect to collections boxes by professional solicitors. The Department also testified that the collection box disclosure requirements were intended to apply to three different types of organizations that may own and operate collection boxes, including charities that are granted tax exempt status under Section 501(3)(c) of the Internal Revenue Code, professional solicitors that are for-profit entities paid to solicit donations for a charity, and for-profit organizations that collect and sell used personal property for non-charitable purposes. The Department also testified that the fee for a late financial report by a professional solicitor should be amended to provide an initial fine and an additional fine for each day the violation continues.

Your Committee also notes the concerns raised by the Hawaiian Humane Society and Hawaii Alliance of Nonprofit Organizations regarding the impracticality of the thirty-day timeframe within which a commercial co-venturer must provide a final accounting to a charitable organization after the end of the charitable sales promotion. The Hawaii Alliance of Nonprofit Organizations also commented that nonprofits, businesses, and the public are in need of additional education and awareness regarding commercial co-venturer laws. Your Committee appreciates the cooperation from the Department of the Attorney General in agreeing to extend the timeframe to submit a final accounting from thirty days to ninety days as well as organize and provide education and awareness



opportunities regarding the laws relating to commercial co-venturers.

Your Committee has amended this measure by adopting the language suggested by the Department of the Attorney General and Hawaiian Humane Society to:

- (1) Amend the collection box disclosure requirements by:
 - (A) Specifying disclosure requirements for collection boxes owned and operated by charitable organizations exempt from income tax under Section 501(3)(c) of the Internal Revenue Code, professional solicitors, and for-profit organizations that are not professional solicitors or organizations that are not charitable organization exempt from income tax;
 - (B) Deleting language that specifies that professional solicitors shall be classified as for-profit organizations, for purposes of clarity and consistency; and
 - (C) Adding language that requires every charitable organization or professional solicitor owning or operating a collection box to register with the Department of the Attorney General;
- (2) Impose fees for a late financial report by a professional solicitor, including an initial fine of \$100 and an additional fine of \$20 for each day the violation continues;
- (3) Extend the timeframe for a commercial co-venturer to submit a final accounting to a charitable organization from thirty days to ninety days after the end of the charitable sales promotion; and
- (4) Make technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Judiciary and Labor that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2250, S.D. 1, as amended herein, and recommends that it pass



Third Reading in the form attached hereto as S.B. No. 2250,
S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary and
Labor,




CLAYTON HEE, Chair



The Senate
Twenty-Seventh Legislature
State of Hawai'i

Record of Votes
Committee on Judiciary and Labor
JDL

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2250, SD1	CPN, JDL	2/12/14		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
HEE, Clayton (C)	✓			
SHIMABUKURO, Maile S.L. (VC)	✓			
GABBARD, Mike				✓
GALUTERIA, Brickwood	✓			
IHARA, Jr., Les	✓			
SOLOMON, Malama	✓			
SLOM, Sam	✓			
TOTAL	6			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes