

SB894

Measure Title: RELATING TO CHARITABLE ORGANIZATIONS.

Report Title: Charitable Organizations

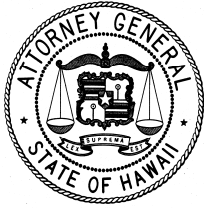
Description: Defines "property" as used in section 28-5.2, Hawaii Revised Statutes, regarding protection of charitable assets. Requires certain disclosures on collection bins for donated clothing and household items by for-profit and nonprofit organizations, authorizes an officer or an agent to file an initial registration statement for a charity, requires notice to the Attorney General and specifies a procedure when a charity seeks deactivation from registration, authorizes the Attorney General to require electronic signature for financial reports filed by professional solicitors, clarifies what is being certified by the electronic signature and therefore subject to section 710-1063, Hawaii Revised Statutes, regarding penalties for unsworn statements shall apply, allows charitable organizations that file an IRS Form 990-PF to file annual reports with the Attorney General on the same schedule as charities that file an IRS Form 990 or 990EZ, repeals obsolete and updates references to accrediting organizations, and clarifies that the exemption from registration for organizations that support educational institutions is a separate exemption from that of the educational institutions themselves.

Companion: [HB1028](#)

Package: Governor

Current Referral: CPH, JDL

Introducer(s): KOUCHI (Introduced by request of another party)



**TESTIMONY OF
THE DEPARTMENT OF THE ATTORNEY GENERAL
TWENTY-NINTH LEGISLATURE, 2017**

ON THE FOLLOWING MEASURE:

S.B. NO. 894, RELATING TO CHARITABLE ORGANIZATIONS.

BEFORE THE:

SENATE COMMITTEE ON COMMERCE, COMSUMER PROTECTION, AND HEALTH

DATE: Tuesday, February 7, 2017 **TIME:** 9:00 a.m.

LOCATION: State Capitol, Room 229

TESTIFIER(S): Douglas S. Chin, Attorney General, or
Hugh Jones, Deputy Attorney General

Chair Baker and Members of the Committee:

The Department of the Attorney General supports this Administration bill. The purpose of this bill is to make amendments to the laws governing the regulation of charitable organizations and activities in Hawaii.

Specifically, this bill would create a new section to require disclosure statements on collection boxes where the public may donate personal property. These disclosure statements will alert the public to whether a nonprofit or for-profit entity owns the box so that the public's decision to make a donation is an informed one.

The bill adds a definition of "property" to clarify the scope of the Attorney General's authority over protection of charitable assets. Act 217, Session Laws of Hawaii 2014, codified section 3 of the Model Protection of Chartable Assets Act (Act) as section 28-5.2, Hawaii Revised Statutes. Section 28-5.2 gives the Attorney General regulatory authority over charitable assets regardless of the form in which they are held. The term "charitable asset" is defined by section 28-5.2(d) as property. This bill will create a new definition of "property" using wording from the Commentary to section 3 of the Act to provide greater clarity and guidance.

The bill contains several housekeeping provisions addressing the regulation of charitable organizations and activities. These include provisions: allowing agents to electronically sign initial registrations rather than allowing only a corporate officer to do so; requiring notification and specifying procedures for deactivations of registrations for

charities no longer operating in Hawaii; clarifying due dates and procedures for filing of financial reports for fundraising campaigns by professional solicitors; clarifying that the timeline for the annual filing requirement for private foundations is the same as for other charities; deleting the requirement that the Attorney General approve extensions for filing annual reports since those are already governed by the due dates imposed by the Internal Revenue Service; updating language describing approved accrediting organizations for purposes of exempting educational institutions and affiliated supporting organizations from registration; and clarifying that there are discrete exemption categories for educational institutions and affiliated supporting organizations.

This bill will assist the Attorney General in his oversight of charitable organizations and fundraising activities, will clarify regulatory procedures for the nonprofit sector, and will provide additional disclosures to the public.

We respectfully request that the Committee pass this bill.

TO: Members of the Committee on Commerce, Consumer Protection & Health

FROM: Natalie Iwasa, CPA, CFE
Honolulu, HI 96825
808-395-3233

HEARING: 9 a.m. Tuesday, February 7, 2017

SUBJECT: SB 894 – Charitable Organizations **SUPPORT Deactivation**

Aloha Chair and Committee Members,

Thank you for allowing me the opportunity to provide testimony on SB 894, which makes several changes to the law regarding charitable organizations.

Changes to Section 467B-2.1 would allow organizations to apply for deactivation. I support this and ask you to pass at least this portion of the bill.

Some organizations may change their operations and no longer rely on public contributions. It makes sense to then allow them to deactivate.