

Senate Bill 148

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SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Allows Attorney General to issue order disqualifying charitable organization from receiving contributions that are deductible for purpose of Oregon income tax and corporate excise tax if Attorney General finds that charitable organization has failed to expend at least 30 percent of total annual functional expenses on program services when those expenses are averaged over most recent three fiscal years. Provides that Attorney General may decline to issue disqualification order if certain mitigating circumstances exist. Specifies exempt organizations.

Imposes mandatory disclosure requirements for charitable organizations subject to disqualification order. Requires Attorney General to publish on Internet and otherwise make available list of charitable organizations that are subject to disqualification orders.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to regulation of charitable corporations; and prescribing an effective date.

3 **Be It Enacted by the People of the State of Oregon:**

4 **SECTION 1. Sections 2 to 5 of this 2009 Act are added to and made a part of ORS 128.610**
5 **to 128.750.**

6 **SECTION 2. (1) The Attorney General may issue an order disqualifying a charitable or-**
7 **ganization from receiving contributions that are deductible as charitable donations for the**
8 **purpose of Oregon income tax and corporate excise tax if the Attorney General finds that**
9 **the organization has failed to expend at least 30 percent of the organization's total annual**
10 **functional expenses on program services when those expenses are averaged over the most**
11 **recent three fiscal years for which the Attorney General has reports containing expense in-**
12 **formation. The calculation of program services expenses and total functional expenses shall**
13 **be based on the amounts of program services expenses and total functional expenses identi-**
14 **fied by the organization in the organization's Internal Revenue Service Form 990 return or**
15 **other Internal Revenue Service return required to be filed as part of the organization's re-**
16 **port to the Attorney General.**

17 **(2) A charitable organization may request a contested case hearing within 60 days after**
18 **notification from the Attorney General that the Attorney General proposes to issue a dis-**
19 **qualification order under this section. Notwithstanding a finding that the charitable organ-**
20 **ization's program services expenses fall below the minimum percentage specified in**
21 **subsection (1) of this section, the Attorney General may decline to issue a disqualification**
22 **order if the organization establishes:**

23 **(a) That the organization made payments to affiliates that should be considered in cal-**
24 **culating the organization's program services expenses;**

25 **(b) That the organization is accumulating revenue for a specific program purpose con-**

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 sistent with representations in solicitations; or

2 (c) Such other mitigating circumstances as may be identified by the Attorney General
3 by rule.

4 (3) A disqualification order under this section remains in effect until such time as the
5 charitable organization submits sufficient information to the Attorney General to demon-
6 strate that the organization's program services expenses meet the minimum percentage
7 specified in subsection (1) of this section.

8 (4) A disqualification order under this section may not be issued to:

9 (a) A private foundation as defined in section 509 of the Internal Revenue Code, as in
10 effect on the effective date of this 2009 Act;

11 (b) A community trust or foundation operating as described in 26 C.F.R.1.170A-9(f)(10)
12 and (11), as in effect on the effective date of this 2009 Act;

13 (c) A qualified charitable remainder trust described in section 664 of the Internal Re-
14 venue Code, as in effect on the effective date of this 2009 Act;

15 (d) An organization that does not qualify to receive tax deductible contributions;

16 (e) An organization that is not required to file annual reports with the Attorney General;

17 (f) An organization that is not required to file Internal Revenue Service Form 990 or an
18 equivalent form;

19 (g) An organization that receives less than 50 percent of the organization's total annual
20 revenues from voluntary contributions or public support identified in accordance with
21 Internal Revenue Service Form 990 or an equivalent form, exclusive of government contri-
22 butions; and

23 (h) An organization that has been in existence for less than four years.

24 **SECTION 3.** (1) When a disqualification order issued under sections 2 to 5 of this 2009
25 Act becomes effective, the charitable organization named in the order shall provide a dis-
26 closure as described in this section in all solicitations made by the organization to Oregon
27 residents. The disclosure must clearly and conspicuously state that contributions to the or-
28 ganization are not deductible as charitable donations for Oregon income tax purposes. The
29 disclosure also must appear in any written document provided to a donor acknowledging the
30 donation or referring to the amount of the donation. The Attorney General may specify ad-
31 ditional disclosure requirements by rule.

32 (2) Failure to provide the disclosures required by this section is a false or misleading
33 representation for the purposes of ORS 128.886.

34 **SECTION 4.** (1) When a disqualification order issued under sections 2 to 5 of this 2009
35 Act becomes effective, the Attorney General shall publish on the Internet and otherwise
36 make publicly available information identifying the charitable organization named in the or-
37 der, the date that the order becomes effective and the date that the information was pub-
38 lished on the Internet.

39 (2) At least once every year the Attorney General shall file a written report with the
40 Department of Revenue that:

41 (a) Identifies all charitable organizations that are subject to disqualification orders dur-
42 ing the period covered by the report;

43 (b) The date the disqualification orders became effective;

44 (c) The date that information required by subsection (1) of this section was published on
45 the Internet for each order; and

1 (d) The methods by which the public can obtain a listing of charitable organizations that
 2 are subject to disqualification orders.

3 **SECTION 5.** The Attorney General may adopt all rules necessary for the implementation
 4 of sections 2 to 5 of this 2009 Act.

5 **SECTION 6.** Section 7 of this 2009 Act is added to and made a part of ORS chapter 316.

6 **SECTION 7.** (1) Except as provided in subsection (2) of this section, in addition to any
 7 other modification to federal taxable income under this chapter there shall be added to fed-
 8 eral taxable income the amount of any charitable contribution that:

9 (a) Is allowed as a deduction for federal tax purposes for the tax year under section 170
 10 of the Internal Revenue Code;

11 (b) Is attributable to a contribution to a charitable organization that is the subject of a
 12 disqualification order issued under sections 2 to 5 of this 2009 Act; and

13 (c) Was made to the charitable organization more than 30 days after the date of Internet
 14 publication of information relating to the disqualification order under section 4 of this 2009
 15 Act.

16 (2) Charitable contributions described in subsection (1) of this section shall not be added
 17 to federal taxable income if the taxpayer provides to the Department of Revenue a written
 18 document that was received by the taxpayer from the organization to which the contribution
 19 was made that:

20 (a) Acknowledges receipt of the contribution by the organization; and

21 (b) Does not include the disclosure required by section 3 of this 2009 Act.

22 **SECTION 8.** Section 9 of this 2009 Act is added to and made a part of ORS chapter 317.

23 **SECTION 9.** (1) Except as provided in subsection (2) of this section, in addition to any
 24 other modification to federal taxable income under this chapter there shall be added to fed-
 25 eral taxable income the amount of any charitable contribution that:

26 (a) Is allowed as a deduction for federal tax purposes for the tax year under section 170
 27 of the Internal Revenue Code;

28 (b) Is attributable to a contribution to a charitable organization that is the subject of a
 29 disqualification order issued under sections 2 to 5 of this 2009 Act; and

30 (c) Was made to the charitable organization more than 30 days after the date of Internet
 31 publication of information relating to the disqualification order under section 4 of this 2009
 32 Act.

33 (2) Charitable contributions described in subsection (1) of this section shall not be added
 34 to federal taxable income if the taxpayer provides to the Department of Revenue a written
 35 document that was received by the taxpayer from the organization to which the contribution
 36 was made that:

37 (a) Acknowledges receipt of the contribution by the organization; and

38 (b) Does not include the disclosure required by section 3 of this 2009 Act.

39 **SECTION 10.** This 2009 Act takes effect on the 91st day after the date on which the
 40 regular session of the Legislative Assembly adjourns sine die.