

REVENUE: Revenue Impact Issued

FISCAL: No Fiscal Impact

Action: Do Pass
Vote: 4-0-0
Yeas: Hass, Morse, Telfer, Burdick
Nays: 0
Exc.: 0
Prepared By: Chris Allanach, Economist
Meeting Dates: 2/9; 4/4

WHAT THE BILL DOES: Allows the Attorney General to issue an order disqualifying a charitable organization from receiving contributions that otherwise would be deductible under the Oregon income or corporate excise taxes. Such an order would be contingent upon the finding that the organization failed to spend at least 30 percent of its total annual functional expenses on program services when averaged over the most recent three fiscal years for which the Attorney General has relevant information. Allows the organization to request a contested case hearing within 60 days after notification of a proposed disqualification. Allows the Attorney General to decline to issue a disqualification order under certain circumstances. Identifies certain organizations that are exempt from a disqualification order. Requires organizations to disclose that such an order has been issued when making solicitations in Oregon. Requires the Attorney General to publish the identity of such organizations on the Internet and elsewhere, and file an annual report with the Department of Revenue. Requires individual and corporate taxpayers to addback contributions made to such organizations 30 days after public notification was posted on the Internet.

ISSUES DISCUSSED:

- Internal Revenue Service application process
- U.S. court cases that led to the repeal of laws limiting the ability of charities to solicit donations
- Examples of charities spending more than 90% of income on overhead
- Constitutionality of the bill
- Interaction with federal law granting exempt status
- State agency administration of policies

EFFECT OF COMMITTEE AMENDMENTS: None

BACKGROUND: Several states, including Oregon, used to have laws that prohibited charities from soliciting donations if their overhead costs were disproportionate to the funds spent on charitable programs. In 1980, the U.S. Supreme Court ruled in *Schaumburg v. Citizens for a Better Environment* that government attempts to restrict a charity's ability to solicit donations violated the first amendment. Consequently, such state laws were repealed.