

**REVISE CHARITABLE  
ORGANIZATIONS AND  
SOLICITATIONS ACT**

**House Bill 5568**

**Sponsor: Rep. Gerald Law**

**Committee: Regulatory Affairs**

**Complete to 2-25-98**

**A SUMMARY OF HOUSE BILL 5568 AS INTRODUCED 2-11-98**

The bill would revise the Charitable Organizations and Solicitations Act. Among many changes, the bill would rescind licensing provisions and instead create a system of registration for charitable organizations and those professionals who raise funds for charitable organizations, add new definitions, create the Charitable Organizations and Solicitations Fund, increase fines for misdemeanor violations, and establish a civil penalty for prohibited activities. Under the revision, "charitable organization" would be defined as 1) an organization with tax exempt status under section 501 (3) (c) of the Internal Revenue Code and 2) a person whose purpose, structure, or activities are described under that section of the IRS code. A charitable organization would not include a federal, state, or local unit of government; a subdivision, agency, or instrumentality of federal, state, or local government; or a religious organization incorporated or established for religious purposes. Substantial changes to the act would include the following:

Registration. Currently, charitable organizations and professional fund-raisers are licensed. The bill would instead create a registration system for charitable organizations, professional fund-raisers, and vendors. A "professional fund-raiser" would be a person, including a subcontractor, who conducted, managed, or carried on a drive or campaign for compensation to solicit contributions for or on behalf of a charitable organization, religious organization, or any other person, or who held himself or herself out as independently engaged in the business of soliciting contributions for charitable purposes. A bona fide officer or employee of a charitable organization would not be considered to be a professional fund-raiser. "Vendor" would be a person who conducted charitable sales promotions through vending machines, honor boxes, novelty machines, or similar devices that represented themselves as benefitting a charitable organization or purpose.

The registrations for fund-raisers and vendors would have to be renewed annually, and a registration for an organization would have to be renewed within six months of the close of its fiscal year. Registration and renewal fees would be \$200 for a professional fund-raiser, \$50 for a vendor, and charitable organizations would be charged on a sliding scale based on the revenue raised for the previous year (fees would range from \$20 to \$100). Currently, organizations raising less than \$8,000 and several other types of charitable organizations (such as educational and veterans organizations) are exempt from the act's licensing and financial reporting requirements. Under the bill, only organizations raising less than \$25,000 and those registered under the Public Safety Solicitation Act (MCL 14.301 et al.) would be exempt from the registration and reporting requirements as prescribed by the bill. A person who was not a

charitable organization but who solicited contributions, conducted a fund-raising event, or conducted a sales promotion for a charitable purpose would be subject to the act's provisions, but would not be subject to the registration and reporting requirements of the bill. In addition, professional fund-raisers currently are required to post a \$10,000 bond. Under the bill, the bond amount would be raised to \$25,000. Further, the bill would revise the information and documentation that would have to be submitted with a registration application for charitable organizations, professional fund-raisers, and vendors.

Charitable Organizations and Solicitations Fund. The bill would create the Charitable Organizations and Solicitations Fund within the state treasury. Revenues collected from registration fees, late fees, fines and penalties, and any other source would be deposited in the fund for the purpose of administering the act. Funds would not lapse to the general fund at the end of a fiscal year.

Penalties. Currently, violations of the act result in a misdemeanor punishable by a fine of up to \$500 and six months in jail. The bill would increase the fine to \$5,000. Further, the bill would specify many practices that would be prohibited. Violations of these provisions could result in restrictions or conditions being placed on a registration, registration suspension or revocation, or a type of affirmative action such as being ordered to make restitution. In addition, the bill would allow the attorney general to bring an action against a person for violations of these provisions or any of the act's requirements that could result in a civil penalty of up to \$10,000 for each violation. The bill would also specify that an individual could bring an action against a registrant under the Michigan Consumer Protection Act (MCL 445.911).

Miscellaneous provisions. One year after the bill's effective date, the attorney general would have to report to the Senate and House of Representatives regarding the plan by which the public would be educated about charitable organizations and the solicitation efforts of professional fund-raisers in the state. The report would have to include a description of the information to be disseminated to the public and the plan by which to disseminate it. A section of the act pertaining to financial statement reporting requirements for licensure and renewal and a section that specifies that the act is not to be construed as restricting the powers and duties of the attorney general would be repealed and incorporated into other provisions of the bill.

MCL 400.272 et al.

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