
From: Attorney General Ellen F. Rosenblum <attorneygeneral@doj.state.or.us>
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To:
Subject: DOJ's Charity Legislation Passed, Eliminates Tax Deduction for Donors to Rogue Charities



Oregon Department of Justice
FINANCIAL FRAUD/CONSUMER PROTECTION SECTION

SCAM ALERT

DOJ'S CHARITY LEGISLATION PASSED, ELIMINATES TAX DEDUCTION FOR DONORS TO ROGUE CHARITIES

Bill requires disclosure, gives DOJ new enforcement powers

A groundbreaking new law aimed at protecting donors from bogus charities gives the Attorney General valuable new tools to prevent nonprofit abuse and protect donors.

House Bill 2060 eliminates the state income tax deduction for donors who give money to charities that fail to spend at least 30 percent of their donations on their charitable mission. Disqualified charities will be required to disclose their status to prospective donors or face civil penalties up to \$25,000 per violation under the Unlawful Trade Practices Act.



Attorney General Ellen
Rosenblum

The bill, championed by Attorney General Ellen Rosenblum, was

signed into law by Gov. John Kitzhaber on June 4.

"We're thrilled to bring this potentially game-changing legislation to Oregon," Rosenblum said. "By far most of the state's charities are solid citizens and easily exceed the 30 percent standard. This new law will protect consumers from the handful of bad actors that consistently fail to do so."

The Oregon Department of Justice regulates the state's 18,000 charities. It estimates fewer than 100 charities registered in Oregon will be affected by the law.

Oregon and other states once had laws prohibiting charities from soliciting donations if they were paying too much to themselves and their fundraising apparatus. The statutes were repealed in 1980 after the U.S. Supreme Court ruled the attempts to restrict a charity's solicitation efforts violated their First Amendment rights.

The new law does not restrict a charity's ability to fundraise. It does eliminate, at the state level, the tax advantages of donating to a charity that doesn't meet minimal standards. The disclosure requirement will also impose a new level of transparency.

"Now Oregonians who wish to be charitable will have the right to be informed if very little of their donation is actually going to charity," Rosenblum said.

Currently, Oregon's tax code provides that if a charity has IRS 501c(3) status, donors can deduct their contribution on their state income tax returns to the same extent as their federal return. The new law excludes charities from that beneficial tax status if they do not use donations effectively.

The Better Business Bureau recommends donors avoid any charity spending less than 65 percent of their money on their charitable mission. Yet, a small but persistent group of charities continue to spend most of their money on fundraising and

administration.

The Oregon Department of Justice publishes an annual "20 Worst Charities" list to give some guidance to potential donors on which organizations to avoid. The list was topped last year by the Law Enforcement Education Program of Troy, Mich., which spent just 2.7 percent of annual expenditures on its purported charitable mission.

There are extenuating circumstances that can temporarily push a legitimate charity's program spending below the 30 percent mark. A capital campaign, for example, or building a new facility can skew a charity's numbers. The new law offers exceptions to charities in that situation.

Also, the Department of Justice will use a three-year average of a charity's performance when making its spending calculation.

Attorney General Rosenblum thanked the Nonprofit Association of Oregon for its support and assistance in the passage of this legislation. She also gave thanks to legislators from both sides of the aisle who supported the bill, and Elizabeth Grant, attorney-in-charge of the Oregon Department of Justice Charitable Activities Section.



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