EXHIBIT 3
DATE 2/4/09
HB 143

DEPARTMENT OF JUSTICE
HB 143: Charity Registration Act

Background

The Office of Consumer Protection is seeing an increasing number of complaints about fraudulent solicitations by purported charities. In response to similar concerns, 40 states and the District of Columbia require charities to disclose basic information about their fundraising efforts. Montana does not require any disclosure so there is no reliable way for Montanans to know who is fundraising in the state, how the funds are spent, and who to hold accountable for fraud and other violations of existing law.

Because we have no disclosure requirements, con artists see Montanans' generosity as an easy target. In some cases, bogus charities have misidentified themselves as Montana charities while funneling the money out of the state. Meanwhile, every week the Office of Consumer Protection receives calls from Montanans looking for charities they can trust with their donations, but has no way of providing the information.

Provisions of HB 143

HB 143 proposes simple, effective disclosure of charitable activities. Charities already file annual reports with the Secretary of State. The registration statement would be part of the annual report filing.

Under HB 143, the Department of Justice may adopt rules to:

- require each charity to include in its registration statement its most recent tax return filed with the Internal Revenue Service
- provide for electronic filing, and coordinate the process with the Secretary of State's Office
- develop a form similar to one used by other states

HB 143 also allows the Department of Justice to set filing fees ranging from $10 to $100, based on the organization's gross annual revenue.

Failure to register

A charity that fails to register would be liable for a civil penalty of $5 for each day it is not registered, not to exceed $1,000 for each year that the charity seeks donations in this state without registering. All fines, fees and costs must be deposited into a state special revenue account to fund the department's work related to the registry.

The bill would go into effect in July 2009, giving any charity that does not have this information adequate time to compile it.

-over-

Examples of Need for HB 143

Cancer Aid? In March 2008, a Washington-based "charity" contacted Montanans in Billings, Bozeman, Butte, Great Falls, Helena, Kalispell and Missoula. Telemarketers:

- tried to solicit donations by representing the "charity" as working in conjunction with the Montana Breast and Cervical Health Program – a state-run program operated by the Department of Public Health and Human Services.
- tried to appear as an in-state charity by listing local mailing addresses, which were found to belong to mailbox rental sites.

Kid's Shopping Spree? Another Washington-based "charity" using the name "Needy Children's Shopping Spree," solicited donations from Montanans for at least two years.

- JoAnn Piazzola of Butte, who had been contacted multiple times by the charity, grew suspicious of the group.
- She contacted officials in Washington State, which has a charity registry. Consumer advocates there were able to tell her that the charity was less than legitimate, using 52 percent of the money it raised for fundraising and administrative costs.
- This Washington charity gave none of the money raised to needy children in Montana.

Military Veteran's Care? When Mike Brown of Billings received a call that seemed suspicious from a "charity organization" calling itself AMVETS and claiming to work on behalf of military veterans, he decided to investigate the group. What he found was:

- Despite having rented a Helena mailing box, the company was calling out of Toronto in Canada.
- While claiming it worked on behalf of veterans, the company kept 85 percent of the money it collected through its solicitations and passed on a mere 15 percent.

2009 Legislature
February 4, 2009