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SENATE BILL NO. 954

Senate Amendments in [] — January 20, 2003

A BILL to amend and reenact §§ 57-48, 57-49, 57-57 and 57-59 of the Code of Virginia, relating to the registration of charitable organizations; penalties.

Patrons Prior to Engrossment—Senators Stosch and Blevins; Delegate: Rapp

Referred to Committee on General Laws

Be it enacted by the General Assembly of Virginia:

1. That §§ 57-48, 57-49, 57-57 and 57-59 of the Code of Virginia are amended and reenacted as follows:

§ 57-48. Definitions.

As used in this chapter, unless the context requires a different meaning:

"Board" means the Board of Agriculture and Consumer Services.

"Commissioner" means the Commissioner of Agriculture and Consumer Services, or a member of his staff to whom he may delegate his duties under this chapter.

"Charitable organization" means any person which is or holds itself out to be organized or operated for any charitable purpose, or any person which solicits or obtains contributions solicited from the public. This definition shall not be deemed to include (i) any church or convention or association of churches, primarily operated for nonsecular purposes and no part of the net income of which inures to the direct benefit of any individual; (ii) any political party as defined in § 24.2-101 or any political campaign committee required by state or federal law to file a report or statement of contributions and expenditures; or (iii) any authorized individual who solicits, by authority of such organization, solely on behalf of a registered or exempt charitable organization or on behalf of an organization excluded from the definition of charitable organization.

"Charitable purpose" means any charitable, benevolent, humane, philanthropic, patriotic, or eleemosynary purpose and the purposes of influencing legislation or influencing the actions of any public official or instigating, prosecuting, or intervening in litigation.

"Civic organization" means any local service club, veterans' post, fraternal society or association, volunteer fire or rescue groups, or local civic league or association of ten or more persons not organized for profit but operated exclusively for educational or charitable purposes as defined herein, including the promotion of community welfare, and the net earnings of which are devoted exclusively to charitable, educational, recreational or social welfare purposes.

"Contribution" means any gift, bequest, devise or other grant of any money, credit, financial assistance or property of any kind or value, including the promise to contribute, except payments by the membership of an organization for membership fees, dues, fines, or assessments, or for services rendered to individual members, and except money, credit, financial assistance or property received from any governmental authority. The term "contribution" shall not include any donation of blood or any gift made pursuant to Article 2 (§ 32.1-289 et seq.) of Chapter 8 of Title 32.1.

"Federated fund-raising organization" means any federation of independent charitable organizations which have voluntarily joined together, including but not limited to a United Fund or Community Chest, for purposes of raising and distributing money for and among themselves and where membership does not confer operating authority and control of the individual agencies upon the federated group organization.

"Fund-raising expenses" means the expenses of all activities that constitute or are an integral and inseparable part of a solicitation.

"Membership" means those persons to whom, for payment of fees, dues, assessments, etc., an organization provides services and confers a bona fide right, privilege, professional standing, honor or other direct benefit, in addition to the right to vote, elect officers, or hold offices. The term "membership" shall not include those persons who are granted a membership upon making a contribution as the result of solicitation.

"Parent organization" means that part of a charitable organization which coordinates, supervises or exercises control over policy, fund raising, and expenditures, or assists or advises one or more chapters, branches or affiliates.

"Person" means any individual, organization, trust, foundation, association, partnership, corporation, society, or other group or combination acting as a unit.

"Professional fund-raising counsel" means any person who for a flat fixed fee under a written agreement plans, conducts, manages, carries on, advises or acts as a consultant, whether directly or

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59 indirectly, in connection with soliciting contributions for, or on behalf of, any charitable or civic
60 organization, but who actually solicits no contributions as a part of such services. A bona fide salaried
61 officer or employee of a registered or exempt charitable organization or the bona fide salaried officer or
62 employee of a registered parent organization shall not be deemed to be a professional fund-raising
63 counsel.

64 "Professional solicitor" means any person who, for a financial or other consideration, solicits
65 contributions for, or on behalf of, a charitable or civic organization, whether such solicitation is
66 performed personally or through his agents, servants, or employees or through agents, servants, or
67 employees specially employed by, or for a charitable or civic organization, who are engaged in the
68 solicitation of contributions under the direction of such person, or any person who, for a financial or
69 other consideration, plans, conducts, manages, carries on, advises or acts as a consultant to a charitable
70 or civic organization in connection with the solicitation of contributions but does not qualify as a
71 professional fund-raising counsel. A bona fide salaried officer or employee of a registered or exempt
72 charitable organization or a bona fide salaried officer or employee of a registered parent organization
73 shall not be deemed to be a professional solicitor.

74 "Sale," "sell" and "sold" mean the transfer of any property or the rendition of any service to any
75 person in exchange for consideration, including any purported contribution without which such property
76 would not have been transferred or such services would not have been rendered.

77 "Solicit" and "solicitation" mean the request or appeal, directly or indirectly, for any contribution on
78 the plea or representation that such contribution will be used for a charitable purpose, including, without
79 limitation, the following methods of requesting such contribution:

80 1. Any oral or written request;

81 2. Any announcement to the press, over the radio or television, or by telephone or telegraph
82 concerning an appeal or campaign to which the public is requested to make a contribution for any
83 charitable purpose connected therewith;

84 3. The distribution, circulation, posting or publishing of any handbill, written advertisement or other
85 publication which directly or by implication seeks to obtain public support; or

86 4. The sale of, offer or attempt to sell, any advertisement, advertising space, subscription, ticket, or
87 any service or tangible item in connection with which any appeal is made for any charitable purpose or
88 where the name of any charitable or civic organization is used or referred to in any such appeal as an
89 inducement or reason for making any such sale, or when or where in connection with any such sale, any
90 statement is made that the whole or any part of the proceeds from any such sale will be donated to any
91 charitable purpose.

92 "Solicitation" as defined herein, shall be deemed to occur when the request is made, at the place the
93 request is received, whether or not the person making the same actually receives any contribution.

94 "*Terrorists [; and] terrorist organizations [; and terrorist activities]*" means any person,
95 organization, group or conspiracy who assists or has assisted [~~other nations designated~~] terrorist
96 organizations, as provided in 18 USC § 2339 [~~B~~] or who commits or attempts to commit acts of
97 terrorism, as defined in § 18.2-46.4.

98 § 57-49. Registration of charitable organizations.

99 A. Every charitable organization, except as otherwise provided in this chapter, which intends to
100 solicit contributions within this Commonwealth, or have funds solicited on its behalf, shall, prior to any
101 solicitation, file an initial registration statement with the Commissioner upon forms acceptable to him.
102 Each registration statement shall thereafter be refiled on or before the fifteenth day of the fifth calendar
103 month of the next and each following fiscal year in which such charitable organization is engaged in
104 solicitation activities within this Commonwealth. It shall be the duty of the president, chairman or
105 principal officer of such charitable organization to file the statements required under this chapter. Such
106 statement shall contain the following information:

107 1. The name of the organization and the purpose for which it was organized.

108 2. The principal address of the organization, the address of any offices in this Commonwealth and its
109 designated agent for process within the Commonwealth. If no such agent is designated, the organization
110 shall be deemed to have designated the Secretary of the Commonwealth. If the organization does not
111 maintain an office, the name and address of the person having custody of its financial records.

112 3. The names and addresses of any chapters, branches or affiliates in this Commonwealth.

113 4. The place where and the date when the organization was legally established, the form of its
114 organization, and a reference to any determination of its tax-exempt status under the Internal Revenue
115 Code.

116 5. The names and addresses of the officers, directors, trustees and the principal salaried executive
117 staff officer.

118 6. A copy of a balance sheet and income and expense statement, with the opinion of any independent
119 public accountant, for the organization's immediately preceding fiscal year; a copy of a financial
120 statement certified by an independent public accountant covering, in a consolidated report, complete

information as to all the preceding year's fund-raising activities of the charitable organization, showing kind and amount of funds raised, fund-raising expenses and allocation of disbursement of funds raised; or a copy of Internal Revenue Service Form 990. The report required by this subdivision shall comply with the accounting standards prescribed pursuant to § 57-53. Any organization with gross revenue of less than \$25,000 may submit a balance sheet and income and expense statement verified under oath or affirmation by the treasurer of the organization.

7. A statement showing the computation of the percentages provided for in § 57-58.

8. A statement indicating whether the organization intends to solicit contributions from the public directly or have such done on its behalf by others.

9. A statement indicating whether the organization is authorized by any other governmental authority to solicit contributions and whether it, or any officer, professional fund-raiser or professional solicitor thereof, is or has ever been enjoined by any court or otherwise prohibited from soliciting contributions in any jurisdiction.

10. The general purpose or purposes for which the contributions to be solicited shall be used.

11. The name or names under which it intends to solicit contributions.

12. The names of the individuals or officers of the organization who will have final responsibility for the custody of the contributions.

13. The names of the individuals or officers of the organization responsible for the final distribution of the contributions.

14. A statement indicating whether the organization, or any officer, professional fund-raiser or professional solicitor thereof, has ever been convicted of a felony and, if so, a description of the pertinent facts.

15. A copy of the current articles of incorporation, bylaws, or other governing documents. If current copies are already on file with the Commissioner, only amendments, if any, shall be filed in years after the initial registration.

16. A description of the types of solicitation to be undertaken.

A1. Every registration statement shall ~~[require a signature under oath from an authorized officer of the charitable organization include the following language]~~ that states:

"No funds [solicited by this charitable organization] have been or will knowingly be used, directly or indirectly, to benefit or provide support, in cash or in kind, to terrorists, terrorist organizations, terrorist activities, or the family members of any terrorist."

A2. No person ~~[; organization or association shall be granted authority shall be registered]~~ by the Commonwealth or by any locality to solicit funds that are intended to benefit or support terrorists, terrorist organizations or terrorist activities. No person ~~[; organization or association shall be granted authority shall be registered]~~ by the Commonwealth or by any locality to solicit funds that are intended to benefit or support a family member of any terrorist, unless a court of competent jurisdiction within the Commonwealth, upon petition of an interested person, finds by clear and convincing evidence that, for a period of at least 3 years next preceding any act of terrorism committed by such terrorist or terrorist organization, the family members to whom the benefit of the contributions shall inure have been living separate and apart from the terrorist or terrorist organization, and the family members have not provided any financial support, in cash or in kind, to the terrorist or terrorist organization for the same period of time.

~~[The term "family member of any terrorist" shall not include any person who has been living separate and apart from the terrorist or terrorist organization for a period of at least 3 years next preceding any act of terrorism committed by such terrorist or terrorist organization, and has not provided any financial support, in cash or in kind, to the terrorist or terrorist organization for the same period of time.]~~

B. Each chapter, branch or affiliate, except an independent member agency of a federated fund-raising organization, shall separately report the information required by this section or report the information to its parent organization which shall then furnish such information as to itself and all of its state affiliates, chapters and branches in a consolidated form. All affiliated organizations included in a consolidated registration statement shall be considered as one charitable organization for all purposes of this chapter. If a consolidated registration statement is filed, all statements thereafter filed shall be upon the same basis unless permission to change is granted by the Commissioner.

C. Each federated fund-raising organization shall report the information required by this section in a consolidated form. Any federated fund-raising organization may elect to exclude from its consolidated report information relating to the separate fund-raising activities of all of its independent member agencies. No member agency of a federated fund-raising organization shall be required to report separately any information contained in such a consolidated report. Any separate solicitations campaign conducted by, or on behalf of, any such member agency shall nevertheless be subject to all other provisions of this chapter.

182 D. The registration forms shall be verified under oath or affirmation by the chief fiscal officer and by
183 another authorized officer of the charitable organization.

184 E. Every charitable organization which submits an independent registration to the Commissioner shall
185 pay an annual registration fee of (i) \$30 if its gross contributions for the preceding year do not exceed
186 \$25,000; (ii) \$50 if its gross contributions exceed \$25,000 but do not exceed \$50,000; (iii) \$100 if its
187 gross contributions exceed \$50,000 but do not exceed \$100,000; (iv) \$200 if its gross contributions
188 exceed \$100,000 but do not exceed \$500,000; (v) \$250 if its gross contributions exceed \$500,000 but do
189 not exceed \$1 million; and (vi) \$325 if its gross contributions exceed \$1 million. A parent organization
190 filing on behalf of one or more chapters, branches or affiliates or a federated fund-raising organization
191 filing on behalf of its member agencies shall pay a single annual registration fee for itself and such
192 chapters, branches, affiliates or member agencies included in the registration statement. Organizations
193 with no prior financial history filing an initial registration shall be required to pay an initial fee of \$100.
194 Organizations with prior financial history filing an initial registration shall be required to pay an initial
195 fee of \$100 in addition to the annual registration fee. Any organization which allows its registration to
196 lapse, without requesting an extension of time to file, shall be required to resubmit an initial registration.
197 An extension may be granted upon receipt of a written request.

198 § 57-57. Prohibited acts.

199 A. No charitable organization shall use or exploit the fact of registration under this chapter so as to
200 lead the public to believe that such registration in any manner constitutes an endorsement or approval by
201 this Commonwealth. The use of the following statement shall not be deemed a prohibited exploitation,
202 "Registered with the Commissioner as required by law. Registration does not imply endorsement of a
203 public solicitation for contributions."

204 B. No person shall, in connection with the solicitation of contributions or the sale of tangible
205 personal property or services represent, or lead anyone by any manner, means, practice or device
206 whatsoever to believe, that the person on whose behalf such solicitation or sale is being conducted is a
207 bona fide charitable organization or that the proceeds of such solicitation or sale will be used for
208 charitable purposes, if he has reason to believe such not to be the fact.

209 C. No person shall, in connection with the solicitation of contributions or the sale of tangible
210 personal property or services for charitable purposes, represent or lead anyone by any manner, means,
211 practice or device whatsoever to believe, that any other person sponsors or endorses such solicitation of
212 contributions, sale of tangible personal property or services for charitable purposes or approves of such
213 charitable purposes or a charitable organization connected therewith when such other person has not
214 given written consent to the use of his name for these purposes.

215 Any member of the board of directors or trustees of a charitable organization or any other person
216 who has agreed either to serve or to participate in any voluntary capacity in the campaign shall be
217 deemed thereby to have given his consent to the use of his name in said campaign. Nothing contained
218 in this section shall prevent the publication of names of contributors without their written consents, in an
219 annual or other periodic report issued by a charitable organization for the purpose of reporting on its
220 operations and affairs to its membership or for the purpose of reporting contributions to contributors.

221 D. No person shall denominate any membership fee or purchase price of goods or services sold, as a
222 contribution or as a donation or in any other manner represent or imply that the member or the
223 purchaser of such goods or services will be entitled to an income tax deduction for his cost or any
224 portion thereof unless:

225 1. A signed opinion of counsel or an Internal Revenue Service ruling or determination letter holding
226 such cost to be deductible has been obtained; or

227 2. The member or purchaser is informed in writing that such cost may not be deductible.

228 No person shall represent or imply that a contributor will be entitled to an income tax deduction for
229 his contribution unless a signed opinion of counsel or an Internal Revenue Service ruling or
230 determination letter holding gifts to such organization to be deductible has been obtained.

231 E. No person shall make any representation that he is soliciting contributions for or on behalf of a
232 charitable or civic organization or shall use or display any emblem, device or printed matter belonging
233 to or associated with a charitable or civic organization for the purpose of soliciting or inducing
234 contributions from the public without first being authorized to do so by the charitable or civic
235 organization.

236 F. No professional solicitor shall solicit in the name of or on behalf of any charitable or civic
237 organization unless such solicitor has:

238 1. Written authorization of two officers of such organization, a copy of which shall be filed with the
239 Commissioner. Such written authorization shall bear the signature of the solicitor and shall expressly
240 state on its face the period for which it is valid, which shall not exceed one year from the date issued.

241 2. Such authorization with him when making solicitations and exhibits it on request to persons
242 solicited, police officers, or agents of the Commissioner.

243 G. No charitable or civic organization shall accept any contribution exceeding five dollars in cash or

tangible property without providing, on request of the donor, a written receipt acknowledging such contribution on behalf of the organization.

H. No person, and no organization of which such person is an officer, professional fund-raising counsel or professional solicitor, shall solicit within this Commonwealth if:

1. Such person has been convicted in any jurisdiction of embezzlement, larceny or other crime involving the obtaining of money or property by false pretenses or the misapplication of funds impressed with a trust, unless such person has received a pardon for such offense or the public is informed of such conviction in a manner approved in writing by the Commissioner before any solicitation occurs; or

2. Such person has ever been enjoined by any court or otherwise prohibited from soliciting in any jurisdiction, unless the Commissioner first determines in writing that such person is entitled to solicit in such jurisdiction at the time of soliciting within this Commonwealth or that the reason for such injunction or prohibition does not involve moral turpitude.

I. No person shall solicit within this Commonwealth for the benefit of any other person located without the Commonwealth, if such other person refuses to supply any information which the Commissioner deems necessary to assure himself that the provisions of this chapter are complied with. A solicitation shall be deemed to be on behalf of every person who or which receives, directly or indirectly, more than ten percent of the gross amount collected.

J. No charitable or civic organization shall allow a professional solicitor to solicit on its behalf if the professional solicitor has not registered pursuant to § 57-61.

K. No charitable or civic organization, professional fund-raising counsel or professional solicitor shall solicit in this Commonwealth without being duly registered or granted the appropriate exempt status under this chapter.

L. No person shall employ in any solicitation or collection of contributions for a charitable purpose any device, scheme or artifice to defraud or obtain money or property by any misrepresentation or misleading statement.

M. No officer, agent, director or trustee of any charitable or civic organization, professional fund-raising counsel or professional solicitor shall refuse or fail, after notice, to produce to the Commissioner any books and records of such organization.

N. No person shall use or permit the use of the funds raised by a charitable solicitation for any purpose other than the solicited purpose or, with respect to funds raised by general appeals, the general purposes of the charitable or civic organization on whose behalf the solicitation was made.

O. No person shall knowingly and willfully make any false statements in any registration application or statement, report or other disclosure required by this chapter.

P. No professional solicitor shall solicit on behalf of a charitable or civic organization unless the charitable or civic organization has registered or been granted the appropriate exempt status under this chapter.

Q. No person shall represent, in any solicitation, that tickets to events will be donated for use by another unless he complies with the following requirements:

1. He shall have obtained commitments, in writing, from persons or charitable or civic organizations stating that they will accept donated tickets and specifying the number of persons for whom they are willing to accept tickets;

2. He shall not collect or accept more contributions for donated tickets than the number of ticket commitments he has received from persons or charitable or civic organizations;

3. He shall have printed in advance on each ticket the exact number of persons to be admitted by the ticket and the dollar price or value of each ticket;

4. He shall distribute the tickets in a timely fashion to those having given commitments; and

5. He shall maintain during the solicitation and for a period of three years thereafter: (i) records reflecting the name and address of each contributor and the amount of money and number of tickets donated by each such contributor; and (ii) the written commitments of each person or charitable or civic organization to accept tickets and specifying the number of persons on whose behalf tickets were to be accepted, as required in subdivision 1 of subsection Q of this section.

R. No person shall knowingly use or permit the use of funds raised by a solicitation or by contribution to benefit or provide support, directly or indirectly, in cash or in kind, to terrorists, terrorist organizations, terrorist activities or to family members of any terrorist.

§ 57-59. Enforcement of chapter; penalties.

A. Any person who willfully and knowingly violates or causes to be violated any provision of this chapter, or who willfully and knowingly gives false or incorrect information to the Commissioner in filing statements or reports required by this chapter, whether such report or statement is verified or not, shall be guilty of a misdemeanor and, upon conviction thereof, shall be punished for the first offense by a fine of not less than \$100 and not more than \$1,000 or by confinement in jail for not more than six

months, or both, and for the second and any subsequent offense by a fine of not less than \$500 and not more than \$2,500 or by confinement in jail for not more than one year, or both.

[Any person who commits or attempts to commit an act of terrorism as defined in § 18.2-46.4 shall have his assets subject to forfeiture in accordance with § 18.2-46.9. The following property shall be subject to lawful seizure by any law-enforcement officer charged with enforcing the provisions of this article: all moneys or other property, real or personal, together with any interest or profits derived from the investment of such money and used in substantial connection with an act of terrorism as defined in § 18.2-46.4. All seizures and forfeitures under this section shall be governed by the procedures contained in Chapter 22.1 (§ 19.2-386.1 et seq.) of Title 19.2.]

B. Whenever the Commissioner has reasonable cause to believe that a violation of this chapter may have occurred, the Commissioner, upon his own motion or upon complaint of any person, may investigate any charitable or civic organization, professional fund-raising counsel or professional solicitor to determine whether such charitable or civic organization, professional fund-raising counsel or professional solicitor has violated the provisions of this chapter. In the conduct of such investigation, the Commissioner may:

1. Require or permit any person to file a statement in writing, under oath or otherwise as the Commissioner determines, as to all facts and circumstances concerning the matter to be investigated.

2. Administer oaths or affirmations and, upon his motion or upon request of any party, subpoena witnesses, compel their attendance, take evidence, and require the production of any matter which is relevant to the investigation, including the existence, description, nature, custody, condition, and location of any books, documents, or other tangibles and the identity and location of persons having knowledge of relevant facts or any other matter reasonably calculated to lead to the discovery of material evidence.

Any proceedings or hearings by the Commissioner under this chapter, where witnesses are subpoenaed and their attendance is required for evidence to be taken or any matter is to be produced to ascertain material evidence, shall take place within the City of Richmond.

Upon failure to obey a subpoena and upon reasonable notice to all persons affected thereby, the Commissioner may apply to the Circuit Court of the City of Richmond for an order imposing punishment for contempt of the subpoena or compelling compliance.

C. Whenever the Attorney General has reasonable cause to believe that any person has operated, is operating or is about to operate in violation of the provisions of this chapter, the Attorney General may issue a civil investigative demand. The provisions of § 59.1-9.10 shall apply mutatis mutandis to civil investigative demands issued pursuant to this subsection.

D. Whenever the Attorney General, or any attorney for the Commonwealth or the attorney for any city, county or town has reason to believe that any charitable or civic organization, professional fund-raising counsel or professional solicitor has operated, is operating or is about to operate in violation of the provisions of this chapter, the Attorney General, attorney for the Commonwealth or the attorney for any city, county or town, in addition to all other actions authorized by law, may bring an action in the name of the Commonwealth against such charitable or civic organization, professional fund-raising counsel or professional solicitor, or their officers, directors, or other agents to enjoin the continuation of such violation, solicitation or collection, or the engaging therein, or the conducting of any acts in furtherance thereof and for such other relief as the court deems appropriate.

E. In any action brought under subsection D, the court may also award to the Commonwealth a civil penalty of not more than \$5,000 per violation, to be paid to the Literary Fund, reasonable expenses incurred by the state or local agency in investigating and preparing the case, not to exceed \$250 per violation, and attorney's fees. Such expenses and attorney's fees shall be paid into the general fund of the Commonwealth or of the county, city, or town which such attorney represented.