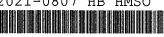


A BILL FOR AN ACT

RELATING TO CHARITABLE ORGANIZATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

- 1 SECTION 1. The legislature finds that dark money is
- 2 defined as funds raised for the purpose of influencing elections
- 3 by nonprofit organizations that are not required to disclose the
- 4 identities of their donors. Dark money can come from
- 5 organizations, like social welfare organizations granted tax
- 6 exempt status under 501(c)(4) of the Internal Revenue Code that
- 7 are not required to disclose their donors. By doing so, there
- 8 is a lack of transparency that fails to inform the public on who
- 9 is trying to influence an election. Although dark money can
- 10 come in through different tax exempt organizations, this Act
- 11 attempts to address one area of dark money through the 501(c)(4)
- 12 organizations.
- 13 The legislature further finds that to be tax exempt as a
- 14 social welfare organization described in section 501(c)(4) of
- 15 the Internal Revenue Code, an organization must not be organized
- 16 for profit and must be operated exclusively to promote social
- 17 welfare. According to the Internal Revenue Service, to be



- 1 operated exclusively to promote social welfare, an organization
- 2 must operate primarily to further the common good and general
- 3 welfare of the people of the community, such as by bringing
- 4 about civic betterment and social improvements. The promotion
- 5 of social welfare does not include direct or indirect
- 6 participation or intervention in political campaigns on behalf
- 7 of or in opposition to any candidate for public office.
- 8 However, the Internal Revenue Service states that a social
- 9 welfare organization may engage in some political activities, so
- 10 long as that is not the organization's primary activity. This
- 11 means that an organization can use 49.99 per cent of its funds
- 12 to engage in political activity and still maintain its tax
- 13 exempt status, all while hiding its donors' involvement in
- 14 political campaigning. Furthermore, the Internal Revenue
- 15 Service is not currently authorized to use any funds to
- 16 investigate these activities in order to ensure compliance.
- 17 This allows 501(c)(4) organizations to engage in and spend
- 18 unregulated amounts of money on political activity without any
- 19 consequences or oversight, conceivably well above the political
- 20 activity percentage threshold allowed.

1	While the State does not have the authority to revoke		
2	federal tax exempt status by the Internal Revenue Service, the		
3	State should be given oversight into 501(c)(4) organizations		
4	that operate in Hawaii to ensure that the majority of each		
5	501(c)(4) organization's operations and spending are focused on		
6	social welfare and not political activities. The State may the		
7	submit its findings to the Internal Revenue Service and the		
8	public.		
9	The purpose of this Act is to promote transparency by tax		
10	exempt social welfare organizations by subjecting 501(c)(4)		
11	organizations to the same requirements of other charitable		
12	organizations regulated by the department of the attorney		
13	general.		
14	SECTION 2. Section 467B-1, Hawaii Revised Statutes, is		
15	amended by amending the definition of "charitable organization"		
16	to read as follows:		
17	""Charitable organization" means:		
18	(1) Any person determined by the Internal Revenue Service		
19	to be a tax exempt organization pursuant to [section]		
20	sections 501(c)(3) and 501(c)(4) of the Internal		
21	Revenue Code of 1986, as amended: or		

1	(2)	Any person who is or holds itself out to be
2		established for any benevolent, educational,
3		philanthropic, humane, scientific, patriotic, social
4		welfare or advocacy, public health, environmental
5		conservation, civic, or other eleemosynary purpose, or
6		any person who in any manner employs a charitable
7		appeal as the basis of any solicitation or an appeal
8		that has a tendency to suggest there is a charitable
9		purpose to the solicitation. The term includes each
10		county or other local division of the charitable
11		organization within this State, if the division has
12		the authority and discretion to disburse funds or
13		property otherwise than by transfer to any parent
14		organization. The term does not include any federal,
15		state, or county agency, or political parties and
16		candidates for federal, state, or county office
17		required to file financial information with federal or
18		state election authorities or commissions."

- 1 SECTION 3. Statutory material to be repealed is bracketed
- 2 and stricken. New statutory material is underscored.
- 3 SECTION 4. This Act shall take effect upon its approval.

4

INTRODUCED BY:



Report Title:

Charitable Organizations; Solicitation of Funds from the Public; Social Welfare Organizations; Tax Exempt Nonprofit Organizations

Description:

Clarifies that social welfare organizations granted tax exempt status under 501(c)(4) of the Internal Revenue Code are subject to the same requirements of other charitable organizations that solicit funds from the public.

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