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FISCAL IMPACT REPORT

SPONSOR Martinez, R **ORIGINAL DATE** 1/21/15
LAST UPDATED 3/3/15 **HB** _____

SHORT TITLE Charitable Solicitations Audit Requirement **SB** 132/aSCORC/aSJC

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	NFI	NFI	NFI	NFI	Recurring	General

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Office of the State Auditor (OSA)

Attorney General’s Office (AGO)

SUMMARY

Synopsis of SJC Amendment

The Senate Judiciary Committee amendment strikes the SCORC amendment and sets the requirements for charitable organizations to receive audits as follows:

- Requires audits for charitable organizations which used a professional fundraiser and raised over \$500 thousand to be audited;
- Requires audits by an independent certified public accountant (CPA) for charitable organizations which did not use a professional fund raiser and raised \$500 to \$800 thousand;
- Requires audits *or* reviews by a CPA for charitable organizations which raised between \$800 thousand and \$1.2 million and did not use a professional fundraiser;
- Requires audits by a CPA for charitable organizations which raised over \$1.2 million without a professional fundraiser.

Additionally, the amendment would not require reviews to be conducted in accordance with generally accepted accounting principles.

Synopsis of SCORC Amendment

The Senate Corporations and Transportation Committee amendment exempts charitable organizations from an audit if they used a professional fundraiser and received total revenue of \$1.5 million or less in the fiscal year. If the organization realized revenue of between \$800 thousand and \$1.2 million and did not use a professional fundraiser, the the amendment requires the organization to be reviewed or audited. If the organization received \$1.2 million or more in the fiscal year and did not use a professional fundraiser, the amendment requires the organization to be audited.

Synopsis of Original Bill

Senate Bill 132 amends the Charitable Solicitations Act to raise the threshold amount that triggers the requirement for certain tax-emempt charitable organizations to have an outside, independent audit performed for that fiscal year from \$500 thousand to \$1.5 million.

FISCAL IMPLICATIONS

This bill has no fiscal implications for state agencies.

SIGNIFICANT ISSUES

AGO reports 24 of the 50 states require audits to be performed on charitable organizations. The income thresholds which trigger the audits range from \$25 thousand to \$2 million with the most common trigger amount being \$500 thousand. If New Mexico adopted a threshold of \$1.5 million, it would be the second highest in the country (see attachment 1 for thresholds by state).

OTHER SUBSTANTIVE ISSUES

New Mexico statute currently authorizes the AGO to waive the audit requirement if it is determined that such reports or registration is not necessary for the protection of the public interest (Section 57-22-6(B)(2) NMSA 1978). AGO reports the majority of the requests made for waiver of the audit requirement under this statute are granted after review.

CJ/bb/je/aml/je

State Audit Thresholds For Charitable Organizations

State	Present Requirements	Proposed Legislation/Comments
Arkansas	\$500,000 in gross revenue	
California	\$ 2 million in gross revenue as reported on 990 form ..."exclusive of grants from, and contracts for services with, governmental entities <i>for which the governmental entity requires an accounting of the funds received.</i> "	
Colorado	None.	
Connecticut	\$500,000 in gross revenue	
Delaware	None	Proposed Legislation (2014) Audit required for revenue over \$1 million Review for revenue over \$500,000 to \$1 Million
Florida	500K less than \$1M review by independent CPA \$1M + audit by independent CPA	
Georgia's	\$1 million in gross revenues \$500,000 to \$1 million financial statement reviewed by auditor	
Hawaii	\$500,000 in gross revenue (excluding government grants and funds held in trust for the org)	Effective January 1, 2009
Illinois	The Illinois audit threshold is \$300,000 in contributions for those who do not use a professional solicitor---\$25,000 for those charities who do use a professional solicitor	
Maine	None, if it does not exist.	
Kansas	Over \$500,000 in contributions	

Maryland	Over \$500,000 in contributions audited financial. Over \$200,000 in contributions, reviewed statement.	
Massachusetts	\$500,000 revenue threshold for audit \$200,000 revenue threshold for reviewed financials.	
Michigan	\$500,000 audit threshold \$250,000 threshold for Reviewed financial	These thresholds automatically increase by \$25,000 every 5 years
Minnesota	\$350,000 in gross revenues.	
Mississippi	\$500,000 and a review is required if contributions are in excess of \$250,000.	
Missouri	None.	
Montana	None (no registration requirements)	
New Hampshire	\$1 million in gross annual revenue	
New Jersey	\$250,000 threshold for audit if contribution component exceeds \$25,000.	New Jersey requires audited financials for organizations with gross revenue in excess of \$250,000 (recently increased from \$100,000). We also require submission of management letters prepared by the auditor commenting on the internal accounting controls or management practices of the organization. (N.J.S.A. 45:17A-24d(2))
New Mexico	\$500,000 in gross revenue	
New York	See Table at bottom)	
North Carolina	Either a 990 form or audited financial statement with \$25,000 in contributions,	
Ohio	None.	

Oregon	Only if it exists.	
Pennsylvania	<p>\$300,000 audit threshold</p> <p>\$100,000 to less than \$300,000, t option of submitting reviewed or audited statements</p> <p>\$50,000 to less than \$100,000, the organization has the option of submitting compiled, reviewed or audited statements</p>	
South Carolina	No audit requirement.	
Rhode Island	<p>\$500,000 or more in gross revenues</p> <p>\$500,000 or less can comply by providing 990 form or compiled financial statement “reviewed” by an auditor.</p>	
Tennessee	\$500,000 in gross revenues, excluding government grants.	
Utah	no audit requirement	
Virginia	Organizations having \$25,000 in gross revenues must file either a 990 form or an audited financial statement	
Washington	None.	<p>Legislation under discussion:</p> <p>\$3 million or more averaged over three years</p> <p>\$1 million “reviewed” financial statement</p>
West Virginia	<p>\$100,000 to \$200,000 Financial Review</p> <p>\$200,000 and above audit requirement</p> <p>(threshold excludes Government grants and private foundation grants)</p>	
Wisconsin	\$400,000 in contributions	

New York	Current - June 30, 2014	July 1, 2014 - June 30, 2017	July 1, 2017 - June 30, 2021	Effective July 1, 2021
CPA Audit Report Required	Gross revenue and support over \$250,000	Gross revenue and support over \$500,000	Gross revenue and support over \$750,000	Gross revenue and support over \$1,000,000
CPA Review Report Required	Gross revenue and support of \$100,000 to \$250,000	Gross revenue and support of \$250,000 to \$500,000	Gross revenue and support of \$250,000 to \$750,000	Gross revenue and support of \$250,000 to \$1,000,000
CPA Audit or Review Not Required	\$250,000 or less	\$250,000 or less	\$250,000 or less	\$250,000 or less