

## CA Nonprofits Urged to Oppose AB 2855

04.05.16 | Linda J. Rosenthal, JD



Assembly Rep. Jim Frazier (D-Oakley) recently introduced legislation in the California Assembly that the California Association of Nonprofits urges all nonprofits to immediately and vigorously oppose. “At CalNonprofits we try to stay hopeful, but AB 2855 is a bad bill with no silver lining.” Assembly Bill (AB) 2855 would require each nonprofit to disclose administrative and overhead expenses on its webpage, along with a copy of the most recently filed IRS Form 990. Worse yet, violation would be a crime and could result in suspension or revocation of tax-exempt status as well as additional adverse action by the California Attorney General.

### *The Frazier Bill: AB 2855*

Originally introduced on February 19, 2016, it was substantially revised on March 17, 2016. Currently, the bill proposes to add new section 17510.86 to the California Business and Professions Code. Here is the full text.

These excerpts, however, gives a flavor of the onerous requirements proposed:

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*\* \* \* (a)(1) The Internet Web site shall contain a financial disclosures Internet Web page, which shall include both of the following:*

*(A) A disclosure of the sum total of the salaries, other compensation, and employee benefits of the charity’s executive director and board of directors and all of the charity’s other administrative overhead expenses, as reported on the charity’s most recent Internal Revenue Service Form 990 filing. The disclosure shall be set forth in at least 14-point, bold, sans serif type font and shall be clear and conspicuous, ....*

*(B) A complete copy of the charity’s most recent Internal Revenue Service Form 990 filing. \* \* \**

*(b)(1) A document produced by, or on behalf of, a charity for the solicitation for charitable purposes of funds or other property in this state shall include a disclosure statement indicating the percentage of the charity’s funding that is spent on the sum total of the salaries, other compensation, and employee benefits of the charity’s executive director and board of directors and all of the charity’s other administrative overhead expenses, as reported on the charity’s most recent Internal Revenue Service Form 990 filing. \* \* \**

#### *Grounds for Opposition*

*“No wonder CalNonprofits is opposing this bill: it places duplicative and unnecessary requirements on nonprofits, and then imposes penalties that are far out of proportion.”*

*In a [letter](#) to Assemblymember Frazier, the California Association of Nonprofits listed multiple grounds for opposition to AB 2855. Key points include:*

- Duplicative, burdensome: “The IRS Form 990 is already available to the public, the California Attorney General’s office maintains a public Registry of Charities that provides information about whether a nonprofit is complying with state rules, and many nonprofits do post financial information on their websites now.”*

- Misplaced emphasis on overhead: The bill “plays on many of the same old tired misconceptions about nonprofits and overhead.”
- Exploits fears: “Sadly, this bill plays on public fears about the shady deals of a few high-profile scam charities. But we know that the overwhelming majority of nonprofits are conscientious, and get by on lean budgets and armies of volunteers to provide critical services for our communities.

“While it is not clear what problems AB 2855 would solve, it does strike us that it would create problems for the vast majority of charities which are well-run and conscientious.” and will create a financial burden for them.

### *Conclusion*

The California Association of Nonprofits, joined by other opponents, urges the nonprofit community to call Assemblymember Frazier’s office and ask him to withdraw the bill.

Update: On April 7, 2016, the bill was revised substantially, see [here](#).

Update (4/20/16): As revised, this bill “lives on,” but faces continuing opposition from the nonprofit community.