

Oregon bill targets charities

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By [Tracy Loew](#), USA TODAY

A bill being debated in the [Oregon](#) Legislature that would crack down on charities that spend too much money on overhead has charities nationwide on alert.

Oregon Attorney General John Kroger wants lawmakers to let him eliminate state tax subsidies for charities that spend more than 70% of their funds on management and fundraising, rather than their charitable missions.

Under the bill, approved by the state Senate last week, donations to those organizations would no longer be tax-deductible, and the charities would have to notify potential donors of that status.

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The state House gave the bill its first reading April 12 and referred it to the House Revenue Committee on Monday.

If the bill is approved, Oregon would be the first state to draw such a line with charities, reversing a long struggle by non-profits to avoid such regulation, says Robert Tigner, a lawyer for the [Direct Marketing Association's](#) Nonprofit Federation.

"We're philosophically opposed to this way of sorting out which charities are worthy and which ones are not," Tigner said. "The right approach to cracking down on fraudulent charities is to figure out who is doing

fraudulent things and then to prosecute them."

The move doesn't just threaten Oregon non-profits, Tigner said. "Other states would begin to copy it," he said. "If you're a regional or national charity, you've got to worry about what all the states do."

Several states, including Oregon, previously had laws prohibiting charities from soliciting donations if their overhead costs were disproportionate to spending on charitable programs. The laws were repealed after the U.S. Supreme Court ruled in 1980 that government attempts to restrict a charity's ability to solicit donations violated the First Amendment.

Tigner said he believes Oregon's proposal is unconstitutional and likely would be subject to a lawsuit.

Kroger's office, however, says the law should survive a challenge because it doesn't prevent organizations from soliciting donations, only requires them to tell donors their contributions aren't tax-deductible.

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The [American Institute of Philanthropy](#) recommends that a charity spend at least 60% percent of its total expenses on program activities. The Better Business Bureau recommends 65%. And Charity Navigator recommends 75%.

Stacy Palmer, editor of *The Chronicle of Philanthropy*, said non-profits may have legitimate reasons for spending a high percentage of their expenses on management and fundraising in a single year — if they are new, for example, or working on a controversial issue.

“What’s important is for the donor to know why those costs are high,” she said.

Palmer agrees that if Oregon’s bill passes, other states may follow its lead.

“I definitely think non-profits around the country are watching what happens in Oregon,” she said. “It’s likely to send shock waves around the country.”

Loew also reports for the Statesman Journal in Salem, Ore.

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