

# Non-Profit Fundraising: REGISTRATION REQUIRED



In an effort to curtail fraud and deceptive practices related to non-profit fundraising, Michigan and 39 other states require charitable organizations to register with the state before soliciting donations. While the vast majority of non-profits use donations for legal, appropriate, and effective purposes, a few bad apples can always spoil the bunch.

In Michigan, non-profits are licensed by the Michigan Attorney General and must comply with and register under the Charitable Solicitation Act (the Act). If unregistered, an organization and those involved in fundraising activities could face fines and criminal punishment under amendments to the Act that were approved in December 2010 and which took effect on March 30, 2011. Accordingly, non-profits and their leaders must be prepared to comply.

## Significant changes to be aware of

- (1) A non-profit will be exempt from registering with the state if all of its fundraising will be conducted by volunteers and it expects to raise less than \$25,000 per year (an increase from the current \$8,000 limit). An organization must still register if using paid staff or a professional fundraiser to raise donations.
- (2) Non-profits must now register with the Michigan Attorney General to solicit donations, instead of only being licensed by the Attorney General to solicit donations. The registration will be valid for a period of 19 months, an increase from the current 12 months.
- (3) The amendments include a number of prohibited activities, many of which are intended to prevent misrepresentations. However, one amendment prohibits a person from soliciting a contribution on behalf of a charitable organization that is not registered. A violation of any of these prohibitions could result in a civil fine of up to \$10,000 per violation. This applies not only to non-profits, but also to their employees and agents, including directors, officers, and volunteers.
- (4) A person can also face criminal punishment for certain actions that are done "knowingly." Misdemeanors are

subject to up to six months in prison or a fine of up to \$5,000, while felonies are punishable by imprisonment of up to five years and a fine of not more than \$20,000. It is a misdemeanor if a person knowingly solicits contributions or operates as a non-profit in Michigan and the non-profit is not registered with the Michigan Attorney General.

(5) Certain clothing drop off boxes are covered by the amendments.

(6) The amendments allow local county prosecutors to prosecute individuals who violate the law, taking the burden off the Attorney General to prosecute these cases. This may result in greater enforcement of the Act and criminal prosecution of smaller infractions.

What does this mean for you and your non-profit? If you solicit contributions in Michigan, your non-profit must register with the Attorney General. If it is not registered, the non-profit

and individuals associated with it are subject to the serious civil and criminal penalties created by the Act.

If you want more information about Michigan's Charitable Solicitations Act, require assistance registering with the Michigan Attorney General, or have other questions about non-profits, please give us a call. Also, if your non-profit solicits in any other states, we can help you to determine if you need to register in those states, and assist you to file the appropriate paperwork.

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