

Henderson Caverly & Pum LLP

NONPROFIT ORGANIZATIONS NEWSLETTER
April 2019

IRS CAUTIONS TAXPAYERS ON SCAMS INVOLVING DISASTERS, CHARITABLE CAUSES - 2019 "DIRTY DOZEN" LIST CONTINUES



On March 13, 2019, the Internal Revenue Service encouraged taxpayers to be alert to scam groups masquerading as charitable organizations. See [IR-2019-39](#).

Using a tax deduction as bait, these fake charities often lure victims into making ineligible donations, ultimately leaving the unsuspecting donor in the lurch.

“Scam artists commonly use charities as a cover to lure honest people into providing money and sensitive personal information,” said IRS Commissioner Chuck Rettig. “Protect yourself, and make sure you are dealing with a reputable group before making a donation.”

Fake charities are one of the “Dirty Dozen” tax scams for 2019.

Compiled annually, the “Dirty Dozen” lists a variety of common scams that taxpayers may encounter all year round. Many of these schemes peak during filing season as people prepare their tax returns or hire others to prepare their taxes.

Perpetrators of illegal scams can face significant penalties, interest and possible criminal prosecution. To help protect taxpayers, IRS Criminal Investigation works closely with the Department of Justice to shut down scams and prosecute the criminals behind them.

The IRS offers these basic tips to taxpayers making charitable donations:

- Be wary of charities with names that are similar to familiar or nationally-known organizations. Some phony charities use names or websites that sound or look like those of respected, legitimate organizations. IRS.gov has a search feature, Tax Exempt Organization Search, that allows people to find legitimate, qualified charities to which donations may be tax-deductible. Legitimate charities will provide their Employer Identification Number (EIN), if requested, which can be used to verify their legitimacy through the IRS search tool.
- Don't give out personal financial information, such as Social Security numbers or passwords, to anyone who solicits a contribution. Scam artists may use this information to steal identities and money from victims. Donors often use credit cards to make donations. Be cautious when disclosing credit card numbers to those seeking a donation. Confirm that those soliciting a donation are calling from a legitimate charity.
- Don't give or send cash. For security and tax record purposes, contribute by check or credit card or another way that provides documentation of the donation.
- Consult [IRS Publication 526](#), Charitable Contributions, available on IRS.gov. This free

booklet describes the tax rules that apply to making tax-deductible donations. Among other things, it provides complete details on what records to keep which helps taxpayers at tax time.

Impersonation of charitable organizations

Another long-standing type of abuse or fraud involves scams that occur in the wake of significant natural disasters. The IRS encourages taxpayers to donate to recognized charities established to help disaster victims. Following major disasters, it's common for scam artists to impersonate charities to get money or private information from well-intentioned taxpayers.

Some scammers operating bogus charities may contact people by telephone or email to solicit money or financial information. And bogus websites may solicit funds for disaster victims.

Another trick by scam artists is directly contacting disaster victims and claiming to be working for or on behalf of the IRS to help the victims file casualty loss claims and get tax refunds.

Remember, fraudsters may attempt to get personal financial information or Social Security numbers that can be used to steal victims' identities or financial resources.

Taxpayers can find legitimate and qualified charities with the [Tax Exempt Organization Search tool](#).

Individuals may report suspected fraudulent activity to the IRS on [Form 13909](#), Tax Exempt Organization Referral (Complaint).

Further details, including a list of the Dirty Dozen and information about other tax scams, can be found on the IRS' [website](#).

NONPROFIT RAFFLES -- IS YOUR ORGANIZATION COMPLIANT?

In California, charities and certain other private nonprofit organizations may conduct raffles to raise funds for beneficial or charitable purposes in the state. This exception to the general constitutional prohibition against lotteries requires that at least 90 percent of the gross receipts from these raffles go directly to beneficial or charitable purposes in California. California [Penal Code section 320.5](#) governs which organizations qualify and how the raffles must be conducted. The Bureau of Gambling Control regulates the 50/50 Major League Sports Raffle Program established by [Penal Code 320.6](#).



Unless specifically exempted, a nonprofit organization must register with the Attorney General's Registry of Charitable Trusts before the raffle and must also file an aggregate financial disclosure report for all raffles held during the reporting year. Registration and reporting forms are identified below.

You may view information regarding raffles held by nonprofits in California using the [Registry Verification Search Tool](#).

An organization may register for raffles at any time during the calendar year. The registration period during which organizations may conduct raffles is September 1 through August 31. An organization must file the raffle registration form at least 60 days before the scheduled date of the raffle in order to give Registry staff sufficient time to process the form. Registration via Form CT-NRP-1 must be filed and a confirmation letter from the Registry of Charitable Trusts must be received before conducting any raffle activities, including selling raffle tickets. If you wish to conduct the drawing after September 1 of any year, but you wish to sell tickets prior to September 1 of that year, you must register for both years. The Registry does not confirm receipt of raffle registration forms. An organization that wants confirmation that the Registry has received a form must submit the form to the Registry by requesting "certified receipt," a service available at the U.S. Post Office.

Regardless of the number of raffles held during the registration period, the nonprofit organization

must file a single, aggregate report for all raffles held by filing Form CT-NRP-2.

If you have questions about registering and conducting a raffle for your charitable organization, please contact us.

ATTORNEY GENERAL BECERRA ANNOUNCES EDUCATIONAL WEBINAR TO HELP CHARITABLE ORGANIZATIONS COMPLY WITH THE LAW



In a March 20, 2019 news release, California Attorney General Xavier Becerra announced an initiative to educate California charitable organizations. The initiative, Operation Donate with Honor, comes after Attorney General Becerra distributed more than 550 delinquency notices, and approximately 200 cease and desist letters targeted to veteran charities between July 2018 and the present.

“Generous and hardworking Americans should never have to worry about their donations falling into the hands of fraudulent charitable organizations,” said Attorney General Becerra. “Our office remains committed to ensuring that charities have the proper tools to succeed and serve Californians. This educational initiative is designed to help legitimate charities come into compliance with state laws. We will vigorously investigate and prosecute charities that break the law while falsely claiming to help vulnerable communities.”

Since taking office, Attorney General Becerra has been committed to protecting charitable assets and donors. He has also worked to ensure that charities understand and can easily comply with their requirements under the law. The Attorney General’s Office hosted an educational webinar on March 26. The webinar covered the steps required to register and explained how organizations can review their registration status online. The webinar is expected to be available on the Attorney General’s website by mid-April.

The Attorney General is responsible for implementing California’s laws to protect charitable assets and donors by ensuring that charities are transparent in their activities so donors can make informed giving decisions. Since July 2018, Attorney General Becerra has distributed a total of 1,035 notices to veteran-related charities that failed to register with the Attorney General’s Registry of Charitable Trusts. State law requires that every charity conducting business in California must be registered with the Attorney General’s Registry of Charitable Trusts. Charities that do not comply with these requirements cannot solicit donations and are subject to penalties, administrative or legal action, and the loss of tax exempt status with the Franchise Tax Board. In order to help donors make informed decisions, Attorney Becerra posts annual reports by charities with details on their assets, revenues.

If you have questions or need assistance registering your organization with the Attorney General’s office or complying with registration requirements, please contact us.



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