

# MAINE STATE LEGISLATURE

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# 132nd MAINE LEGISLATURE

## FIRST SPECIAL SESSION-2025

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Legislative Document

No. 1499

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H.P. 983

House of Representatives, April 8, 2025

**An Act to Revoke the Tax-exempt Status of an Organization That  
Fails to Report Sexual Assaults Committed by Employees, Board  
Members, Volunteers or Affiliates**

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Reference to the Committee on Taxation suggested and ordered printed.

*Robert B. Hunt*

ROBERT B. HUNT  
Clerk

Presented by Representative MACIAS of Topsham.

Cosponsored by Representatives: OSHER of Orono, RAY of Lincolnville.

1 Be it enacted by the People of the State of Maine as follows:

2 Sec. 1. 36 MRSA c. 933 is enacted to read:

3 **CHAPTER 933**

4 **NONPROFIT ORGANIZATION ACCOUNTABILITY**

5 **§7351. Definitions**

6 As used in this chapter, unless the context otherwise indicates, the following terms  
7 have the following meanings.

8 **1. Failure to report.** "Failure to report" or "fails to report" means the willful or  
9 negligent failure to report allegations of sexual assault involving a tax-exempt  
10 organization's employees, board members, volunteers or affiliates to the appropriate law  
11 enforcement authorities, as required by state or federal law.

12 **2. Sexual assault.** "Sexual assault" means any criminal act that constitutes a sexual  
13 offense under state or federal law, including, but not limited to, sexual assaults as prohibited  
14 pursuant to Title 17-A, chapter 11 and sexual exploitation of minors as prohibited pursuant  
15 to Title 17-A, chapter 12.

16 **3. Tax-exempt organization.** "Tax-exempt organization" means an entity that  
17 qualifies for tax-exempt status under the Code, Section 501(c), including, but not limited  
18 to, a religious, charitable, educational or nonprofit organization.

19 **§7352. Mandatory reporting compliance**

20 **1. Compliance.** A tax-exempt organization shall comply with all state and federal  
21 laws requiring the reporting of allegations of sexual assault involving that tax-exempt  
22 organization's employees, board members, volunteers or affiliates to law enforcement  
23 authorities.

24 **2. Reporting.** A tax-exempt organization shall implement and enforce policies to  
25 ensure that all allegations of sexual assault are reported promptly and transparently.

26 **§7353. Penalty for noncompliance**

27 **1. Loss of tax-exempt status; determination and report.** If a tax-exempt  
28 organization fails to report allegations of sexual assault on 2 separate occasions within a  
29 10-year period, that organization is no longer entitled to tax-exempt status in this State.  
30 Each instance of failure to report must involve a distinct allegation of sexual assault and  
31 must be substantiated by a court of law or administrative proceeding. The court or fact  
32 finder shall report its findings to the bureau.

33 **2. Revocation process.** Upon being notified pursuant to subsection 1 that a tax-  
34 exempt organization has failed to report allegations of sexual assault on at least 2 separate  
35 occasions within a 10-year period, the bureau shall initiate proceedings to revoke that  
36 organization's tax-exempt status for all activities conducted within the State. The bureau  
37 shall inform the tax-exempt organization in writing of its decision and provide the  
38 organization an opportunity to appeal the decision within 30 days.

39 **§7354. Record keeping and public reporting**

**1. Record keeping.** A tax-exempt organization shall maintain records of all reported allegations of sexual assault and make those records available for audit by law enforcement agencies or other designated authorities upon request.

**2. Public reporting.** A tax-exempt organization that is found in violation of this chapter shall publicly disclose the details of its failure to report, including any corrective actions taken.

### **§7355. Reinstatement of tax-exempt status**

An organization whose tax-exempt status has been revoked pursuant to section 7353 may apply for reinstatement of tax-exempt status after a period of 5 years. In order for tax-exempt status to be reinstated, the organization must demonstrate:

**1. Compliance.** Full compliance with mandatory reporting pursuant to section 7352;

**2. Policies.** Implementation of comprehensive child protection policies and training programs; and

**3. Cooperation.** Cooperation with law enforcement investigations related to prior failures to report.

## §7356. Rules

The bureau shall adopt rules to implement this chapter, including the process for notification, appeal and requests for reinstatement of tax-exempt status. Rules adopted pursuant to this section are routine technical rules pursuant to Title 5, chapter 375, subchapter 2-A.

## SUMMARY

This bill requires an organization that is tax exempt pursuant to the Internal Revenue Code, Section 501(c), including a religious, charitable, educational or nonprofit entity, to report all allegations of sexual assault involving that organization's employees, board members, volunteers or affiliates to law enforcement authorities. "Sexual assault" is defined as any criminal act that constitutes a sexual offense under state or federal law.

If a tax-exempt organization fails to report at least 2 separate allegations of sexual assault within a 10-year period, as determined by a court or fact finder in an administrative hearing, that must be reported to the Department of Administrative and Financial Services, Bureau of Revenue Services, which is required to revoke the organization's tax-exempt status for all activities conducted within the State and provide the organization with the opportunity to appeal that revocation.

An organization may apply for reinstatement of tax-exempt status after 5 years by demonstrating full compliance with reporting laws, implementation of child protection policies and training programs and cooperation with law enforcement investigations related to prior failures to report.