

ASSEMBLY THIRD READING

AB 2221 (Irwin)

As Amended April 23, 2026

Majority vote

SUMMARY

Updates and clarifies the regulatory framework governing online charitable fundraising.

Major Provisions

- 1) Recasts the definition of "good standing" to include those organizations whose tax-exempt standing has been revoked by the Internal Revenue Service (IRS). Limits AG prohibitions on soliciting and operating in the state for purposes of good standing to those entities subject to a cease and desist order, delinquency, suspension, or revocation by the AG.
- 2) Deletes the provision enabling entities to determine good standing of recipient charities by relying on electronic lists periodically published by the IRS, Franchise Tax Board, and AG.
- 3) Adds in a currently-required disclosure an explanation of what alternative disposition will occur for the funds, which may include, but is not limited to, a refund to the donor, redirection to an alternate recipient charitable organization of the donor's choice, or a redirection to an alternate recipient charitable organization of the charitable fundraising platform or platform charity's choice.
- 4) Recasts the existing requirement to promptly ensure donations are sent to recipient charitable organizations to additionally allow them to be promptly sent to an alternate recipient charitable organization, in accordance with required disclosures. This process must be in accordance with rules and regulations adopted by the AG. Allows for donations that are \$10 or less to be refunded in accordance with disclosure requirements.
- 5) Requires an entity subject to online charitable fundraising requirements to submit required documents and fee payments through the Attorney General's online filing service in accordance with rules and regulations of the Attorney General. Requires, by January 1, 2028, the AG's online filing service and related system to support comprehensive electronic administration, including prompt confirmation and automated processing of filings, as specified.
- 6) Provides that the grounds for which a registration may become delinquent include, but are not limited to, failure to timely file periodic written reports or annual fundraiser reports and failure to timely pay late fees.
- 7) Requires, before a registration becomes delinquent, written notice to be sent to the registrant indicating the reason(s) for deficiency. If a responsive filing is not submitted within 60 days from the date of the notice, or a timely filing remains deficient, requires a second written notice to be sent to the registrant indicating the reason for deficiency. If a filing responsive to the second written notice is not submitted within 60 days from the date of the second notice, or a timely filing remains deficient, requires a third written notice to be sent to the registrant indicating that the registration has become delinquent.

- 8) Requires that if the AG's registry does not process a filing submitted by a person or entity who is not registered, or whose registration is expired or delinquent, within 10 days from the date of the filing, that the registration be deemed in good standing. If the filing is found deficient, requires a written notice to be sent to the registrant indicating the reasons for the deficiency. If a filing responsive to the notice is not submitted within 30 days from the date of the notice, requires the registration to revert to not being in good standing. If a responsive filing is submitted within 30 days from the date of the notice, the registration must remain in good standing. If the timely filing remains deficient, a second written notice must be sent to the registrant indicating the reasons for deficiency. If a filing responsive to the second notice is not submitted within 30 days from the date of the second notice, or the timely filing remains deficient, a third written notice shall be sent to the registrant indicating that the registration is not in good standing. States that this provision is not applicable to a person or entity that is not in good standing because the person or entity's registration is suspended, revoked, or the person or entity is subject to a cease and desist order.
- 9) Requires, before a person or entity's registration becomes suspended or revoked, or the person or entity is subject to a cease and desist order, that an administrative action be taken pursuant to existing law.

COMMENTS

Background. AB 488 (Irwin) Chapter 616, Statutes of 2021 expanded statutory provisions governing the Attorney General's (AG) supervision of charities to include a new regulatory framework specific to charitable fundraising platforms and platform charities. AB 488 was the product of extensive, multi-year legislative efforts, culminating in its passage in 2021. The bill became operative in 2023, and the AG adopted implementing regulations in 2024.

This bill, which is sponsored by CalNonprofits, and supported by other nonprofit associations and online platforms that participate in fundraising, follows on the heels of the Privacy and Consumer Protection Committee's Outcomes Review hearing on AB 488, in which several frustrations – particularly with relation to the lack of adequate safeguards in the process for removing entities from "good standing" status – were expressed by stakeholders in relation to the bill's implementation.

To address those challenges, the bill would, among other things: ensure that charities lose good standing status only after a final cease and desist order, suspension, or revocation by the Department of Justice; add flexibility for platforms with respect to alternative dispositions of donations when the intended recipient charity is not in good standing; mandate online filing and payments; establish tiered notice-and-cure procedures for delinquencies and registration deficiencies, during which entities may remain in good standing; deem registrations approved automatically after 10 days if no deficiencies are identified within that time period; and mandate administrative hearings before suspensions, revocations, and cease and desist orders.

According to the Author

AB 2221 is the latest step in a seven-year effort to update and modernize California's online charitable giving laws. While implementation of AB 488 (2021) has been largely successful, it also produced unintended consequences. For example, some charities were removed from digital fundraising platforms due to minor clerical errors, preventing them from raising funds during critical periods. In addition, certain policy issues left to the regulatory process have created

challenges for both charities and fundraising platforms. AB 2221 addresses these issues to help complete the modernization of the law.

Arguments in Support

CalNonprofits, sponsors of the bill, write:

Foundational changes to the law governing the Registry's operations are long overdue and remain a top priority for California's nonprofit sector. AB 2221's reforms present the opportunity to evolve the DOJ's approach into one that better supports nonprofits while still robustly protecting donor assets. California must – and can – do better to promote nonprofit compliance with Registry registration and renewals in a manner that is fair, efficient, and without excessive administrative barriers that impair nonprofits' ability to fundraise and operate. AB 2221's comprehensive and immediate reforms address Registry issues that have long plagued the nonprofit sector. AB 2221 also tackles critical unintended consequences associated with AB 488 (2021), which CalNonprofits helped to negotiate to support the state's transparency and fraud deterrence goals.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Appropriations Committee:

One-time costs to DOJ for limited-term, increased workload to enforce AB 2221 by obtaining services of an external consultant to maintain the Attorney General's online filing service in accordance with rules and regulations of the Attorney General. These services would be to assist a person or entity that is required to file registration, reporting, or other submissions with the registry. These are one-time expenses that will impact the Registry of Charities and Fundraisers Fund.

VOTES

ASM PRIVACY AND CONSUMER PROTECTION: 15-0-0

YES: Bauer-Kahan, Macedo, Bryan, DeMaio, Hoover, Irwin, Lowenthal, McKinnor, Ortega, Patterson, Pellerin, Petrie-Norris, Ward, Wicks, Wilson

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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