



State Policy Decisions Affecting NC Nonprofits in 2020

Updated: July 13, 2020

On July 8, the NC General Assembly concluded the main part of its 2020 legislative session. During their short session this year, legislators implemented many policy solutions that will help North Carolina's nonprofit sector respond to the COVID-19 pandemic. Legislators also considered a wide range of bills that would affect nonprofits' funding, operations, and tax-exemptions.

The Center has prepared this summary of key state policy developments affecting nonprofits to help you keep track of these policy developments and understand how they might affect your organization and the North Carolinians it serves:

[COVID-19 Policy](#)

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Nonprofits' advocacy made a difference on every policy issue identified in this summary, affecting the lives of millions of North Carolinians. Many bills were introduced because of the recommendations of nonprofits. Others legislation was improved because nonprofits explained to policymakers the negative consequences that proposals might have on the communities they serve. In some cases, nonprofits helped stop bills that would have been detrimental to their missions.

In this summary, we highlight some ways that the Center and other nonprofits influenced state legislation this year. We acknowledge that these highlights are far from complete. Look for updates to this summary when legislators return for additional special sessions later this summer and fall.

Please [share your story](#) about how your nonprofit advocated on state policy issues this year. We'll include it in updates so other nonprofits can learn from your great advocacy work!

COVID-19 Policy:

Listening to nonprofits. The COVID-19 pandemic has had a significant impact on nonprofits, as needs have increased and revenue sources have declined. Without a variety of types of government support, nonprofits will struggle to continue to provide essential services in communities across North Carolina. It is important for legislators and state officials to listen to nonprofits as they develop policy solutions to respond to the pandemic.

- **What happened so far in 2020:**

- In May, a coalition of 460 North Carolina nonprofits [sent a letter to all 170 members of the NC General Assembly](#) asking legislators for six specific policy solutions. Governor Cooper and legislators consistently reached out to a wide range of nonprofits to get their input and insights about executive action, appropriations, and legislation to help North Carolina respond to the COVID-19 crisis.
- **What comes next:**
 - With the pandemic far from over, the Center will continue to encourage Governor Cooper and legislators to seek regular feedback from nonprofits about additional policy solutions to help North Carolina's communities.
- **The Center's role:**
 - *The Center sought input from hundreds of nonprofits about the most significant sector-wide challenges from COVID-19 that could benefit from state legislative assistance. We then developed a sign-on letter and got 460 nonprofits to join the letter, which we sent to all 170 members of the NC General Assembly. The Center then worked with a bipartisan group of legislators to identify possible legislative solutions to the challenges identified in the letter.*

Grants opportunities for nonprofits. Nonprofits have suffered significant financial losses due to COVID-19. As policymakers develop grant programs to assist businesses affected by the pandemic, it is essential that they make these programs available to nonprofits also.

- **What happened so far in 2020:**
 - The General Assembly created a \$15 million grant program for businesses and nonprofits that maintained 90% of payroll during the early part of the COVID-19 pandemic but did not receive federal loans through the Paycheck Protection Program or the Main Street Lending Program ([H.B. 1023](#)). In the original proposal ([S.848](#)), most nonprofits would not have been eligible for the grant program, but the Center successfully advocated for the Senate to add nonprofits to the program.
- **What comes next:**
 - Legislators may still consider creating another grant program for businesses that had to close due to COVID-19. A provision in a COVID-19 response bill ([S.730](#)) would allocate \$100 million for grants of up to \$50,000 per business. As written, most nonprofits would not be eligible for these grants (only those that pay state unrelated business income tax would be eligible), but the Center is working with legislators to add all 501(c)(3) nonprofits to this grant program if it is considered during the September legislative session.
- **The Center's role:**
 - *When this grant program was first proposed, the Center identified that most nonprofits would be ineligible. We worked with legislators from both parties to get an amendment to the bill to ensure that this grant program would be open to nonprofits. In the discussion of the grant program on the Senate floor, Senator Mike Woodard (D-Durham) and Senator Paul Newton (R-Cabarrus) both emphasized the important role of nonprofits in North Carolina's economy.*

Unemployment coverage for reimbursing nonprofits. Many nonprofits elect to self-insure or reimburse for unemployment insurance (UI) claims rather than paying state unemployment tax (SUTA). Typically, these nonprofits would be required to reimburse the state for the full cost of the UI benefits received by employees they lay off or furlough. The COVID-19 pandemic forced many nonprofits to lay off or furlough many employees, creating significant UI liability for these organizations. The federal CARES Act provided funding to cover half of these costs, but this liability would still be significant without additional state action to hold harmless these nonprofits.

- **What happened so far in 2020:**
 - Governor Cooper issued [Executive Order No. 118](#) and the General Assembly approved legislation ([S.704](#)) providing that the state will not charge employers' UI accounts for COVID-19 related UI costs associated with their employees. State officials have confirmed that this applies to both businesses and nonprofits that pay SUTA and self-insured nonprofits.
- **What comes next:**
 - The Center is still working with the NC Department of Commerce to provide greater clarity that this provision holds harmless reimbursing nonprofits and to simplify the process by which these nonprofits are not charged for their COVID-19 related UI claims.
- **The Center's role:**
 - *The Center brought this issue to the attention of the Governor's Office and legislators. We continue to work with the NC Department of Commerce to ensure that there is clear guidance to nonprofits that they will not be charged for their COVID-19 related UI claims.*

Legal immunity for nonprofits. As businesses and nonprofits begin the process of re-opening after the Governor's stay-at-home order, many have expressed concern about the possibility of legal liability if someone who has been in their facilities contracts COVID-19 and sues the nonprofit. This is a particular concern since many insurance providers are excluding COVID-19 claims from coverage.

- **What happened so far in 2020:**
 - As part of its original COVID-19 legislation ([S.704](#)), the General Assembly provided for limited legal immunity from COVID-19 transmission for essential businesses, including certain nonprofits deemed "essential" under the Governor's executive order. Legislators also passed separate legislation ([H.B. 118](#)) that provides limited immunity for businesses, nonprofits, and individuals for claims of COVID-19 transmission. This immunity also extends to nonprofit board members, officers, and volunteers. Under this legislation, nonprofits (and businesses) are required to provide notice to anyone who enters their facilities of the precautions they are taking to limit the spread of COVID-19.
- **What comes next:**
 - If nonprofits and businesses are facing legal threats for other types of actions or inactions related to COVID-19, legislators could consider additional legislation to provide immunity.
- **The Center's role:**
 - *The Center worked with Senator Paul Newton (R-Cabarrus) and with other nonprofits to ensure that nonprofits, their board members, and their volunteers were included in the immunity bill.*

Emergency funding for nonprofits. Many nonprofits have been frontline service providers during the COVID-19 crisis. These organizations need emergency funding to pay for costs of adjusting their operations to provide essential services in a safe way.

- **What happened so far in 2020:**
 - Legislators provided emergency appropriations ([H.B. 1043](#), [H.B. 1023](#), and [S.816](#)) for a variety of nonprofits providing essential services during the pandemic. Nonprofits receiving appropriations include hospitals, community health centers, free and charitable clinics, food banks, childcare providers, behavioral health and crisis service providers, child advocacy centers, and domestic violence agencies.
- **What comes next:**
 - As nonprofits identify more needs in helping North Carolinians respond to the pandemic, legislators are likely to make additional appropriations to frontline nonprofits during the September legislative session.
- **Nonprofits' role:**
 - Many nonprofits advocated for CARES Act funding to be appropriated to help cover essential needs related to their missions. Without this advocacy, many of these appropriations would not have been made or would have been considerably smaller.

Remote corporate actions by nonprofit board and members. During the pandemic, some nonprofits have been unable to hold board meetings or membership meetings because provisions in their bylaws limit the ability of boards and/or members to meet remotely and take action electronically.

- **What happened so far in 2020:**
 - Governor Cooper issued [Executive Order No. 136](#) to enable nonprofits to conduct member meetings remotely and enable members to vote by e-mail. The Executive Order went into effect on April 24 and was extended through September 1 by [Executive Order No. 149](#).
- **What didn't happen in 2020:**
 - Legislators did not take action to enable nonprofit boards to take action remotely during the pandemic if their bylaws do not currently allow for conference call meetings or unanimous written consent votes by email.
- **What comes next:**
 - If necessary, the Center will ask Governor Cooper for a further extension of his Executive Order on remote membership meetings. The Center is also continuing to encourage legislators to include a temporary provision allowing remote meetings of nonprofit boards as part of the legislation it considers in its September session.
- **The Center's role:**
 - *The Center worked with the NC Bar Association to recommend language for the Executive Order on remote actions by nonprofit members and on possible legislative action on remote actions by nonprofit boards. We successfully advocated for the Governor to issue the original Executive Order and to extend it when it was*

due to expire in late June. We continue to work with legislative leadership on possible legislation to facilitate remote board meetings for nonprofits that are currently required to hold in-person board meetings.

Nonprofit filing extensions. The COVID-19 pandemic has made it difficult for nonprofits to meet a variety of deadlines for filings with state agencies, including state tax returns and charitable solicitation license renewals.

- **What happened so far in 2020:**
 - The NC Department of Revenue followed the lead of the Internal Revenue Service in extending many spring filing deadlines for nonprofits, individuals, and businesses through July 15. The General Assembly's first COVID-19 response bill ([S.704](#)) included a regulatory flexibility provision that gives the NC Secretary of State and other state agencies the ability to extend filing deadlines during the state of emergency.
- **What comes next:**
 - If nonprofits identify other needs for filing deadline extensions, the Center will advocate for legislators and/or state agencies to provide administrative relief.

Tax Policy:

Nonprofit tax exemption. All 501(c)(3) nonprofits should be fully exempt from state and local taxes – including sales, property, and business taxes – on activities related to their charitable missions. New taxes on nonprofits would reduce their ability to provide essential services and force them to cut jobs.

- **What happened so far in 2020:**
 - A bill ([H.B. 1137](#)) was introduced in the NC House of Representatives to allow 501(c)(3) nonprofits to be exempt from sales tax – rather than paying tax on their purchases and seeking semi-annual refunds from the NC Department of Revenue – during the COVID-19 crisis. In total, 36 House members signed on as co-sponsors. A similar bill ([S.346](#)) was introduced in the NC Senate in 2019. While neither bill received a hearing, it was encouraging that legislators continue to explore this proposal, which would improve cash flow for thousands of North Carolina nonprofits.
- **What comes next:**
 - Legislators also could revisit the idea of capping or eliminating nonprofit sales tax refunds as a way to increase state revenue without raising tax rates on businesses or individuals.
 - Policymakers also could revisit legislative proposals to exempt nonprofits from paying sales tax. Shifting from nonprofit sales tax refunds to tax exemption could cut red tape for both nonprofits and local governments.
 - As local governments look for additional sources of revenue, legislators are likely to continue to consider ways to limit or eliminate nonprofit property tax exemption. This action could take the form of legislative studies or direct legislation to tax nonprofit property.
- **The Center's role:**
 - *The Center recommended the idea of point-of-sale exemption from sales tax to legislators, and we recruited sponsors for the House bill. We have raised awareness with legislators of the burdens the current sales tax refund process places on nonprofits' cash flow, and we will continue to work with legislators on similar legislation in 2021.*

Incentives for charitable giving. Tax policies should encourage North Carolinians to give back generously to their communities by supporting the work of charitable nonprofits.

- **What happened so far in 2020:**
 - The General Assembly decided not to include two temporary enhanced incentives for charitable giving in the CARES Act ([H.B. 1080](#)) on state taxes. North Carolinians who use the standard deduction and make \$300 in charitable contributions this year would need to pay state taxes on these donations, even though they are eligible for an above-the-line federal tax deduction under the CARES Act. High-income North Carolinians who make significant contributions to nonprofits in 2020 might have to pay state income tax on a portion of these contributions. This would be a result of North Carolina maintaining the limitation that only charitable contributions up to 60% of a taxpayer's adjusted gross income are deductible. The CARES Act waived this limitation on deductibility for 2020. While these three provisions are not ideal, the Center's analysis is that their impact on charitable giving should be negligible.

- Thanks to a 2019 law ([H.B. 399](#)), North Carolinians aged 70½ and older who made tax-free distributions from their individual retirement accounts (IRAs) to nonprofits no longer had to pay tax on these charitable contributions.
- **What comes next:**
 - The Center and a large coalition of nonprofits asked legislators to re-establish a temporary state tax credit for charitable contributions by non-itemizers to help bolster donations to nonprofits during the COVID-19 pandemic. Legislators did not act on this recommendation.
 - The NC Senate did not consider a bill ([H.B. 1008](#)) that would have created a tax credit for individuals or businesses that donate property to conservation nonprofits, the state, or a local government if that property is useful to buffer military bases in North Carolina. Individuals and businesses donating qualifying property would have had the option of receiving a 25% state tax credit instead of counting the value of the donation as a tax-deductible charitable contribution on state taxes. While this new tax credit would be very limited, it would set an important precedent in creating an incentive for charitable giving that could be used by individuals who do not itemize their taxes.
 - The NC House of Representatives did not take up a bill ([H.B. 894](#)) that would have created a new “universal charitable donation credit” on state taxes. The credit, which would have been available to any taxpayer who make cash contributions to charitable nonprofits, would have been capped at \$100 for single taxpayers and \$200 for married couples. Realistically, this proposal would provide very little incentive for most North Carolinians to give generously to nonprofits. As a dollar-for-dollar tax credit with a very low cap, this proposal would likely give most North Carolinians a tax break for their first \$100 or \$200 in charitable contributions each year. Because of all this, the Center did not support this proposal.
 - The NC Senate did not take up a bill ([S.785](#)) that would have created a new state tax credit for taxpayers who grow crops and allowed them to be harvested for donation to 501(c)(3) nonprofits during or within 180 days after the time of a disaster. The tax credit would have been for 50% of the market value of the gleaned crops and could not have exceeded \$15,000.
- **What comes next:**
 - Legislators could consider proposals to expand incentives for charitable giving, such as:
 1. Protecting businesses that give generously to nonprofits by allowing them to take the same deduction for charitable giving on their state taxes as they take on their federal taxes.
 2. Reinstating a state tax credit for individuals who make significant charitable contributions but use the standard deduction on their state taxes.
 3. Establishing special tax credits for contributions that support particular types of activities provided by nonprofits such as food distribution or land conservation.
- **The Center’s role:**
 - *In 2019, the Center recommended to legislative leadership that they eliminate the tax on charitable contributions made through IRA distributions, and we worked with legislators to get this tax change enacted as part of 2019 legislation. The Center also recommended that legislators reinstate the tax credit for charitable contributions by non-itemizers this year, and we attempted to recruit a bipartisan group of legislators to introduce a bill to do this. We will continue to advocate for this enhanced state tax incentive for charitable giving in 2021.*

Sales tax on services. Many nonprofits’ charitable services should not be taxed. If they were, nonprofits would have to increase their fees, and fewer people would be able to afford nonprofits’ essential services, even when they are priced below the cost of providing them.

- **What happened so far in 2020:**
 - Legislators approved a bill ([H.B. 1079](#)) that exempts many types of remote services provided by nonprofits from the sales tax on digital property that took effect on October 1, 2019. Under current law, nonprofits and businesses must collect and remit sales tax on any sale of digital property, which includes online learnings like classes, webinars, and conference. The Center advocated for legislators to amend this law so that nonprofits would not need to charge sales tax on their educational offerings if the same types of learnings would not be taxable if offered as in-person events. Under the new law, nonprofits will not need to charge sales tax on fees for attending online conference, webinars, or workshops, or for providing real-time online services like exercise or wellness classes or telemedicine. Note that nonprofits or businesses still need to charge sales tax if they sell the *recordings* of events.
- **What didn’t happen in 2020:**
 - Legislators did not take action to provide sales tax relief to nonprofit continuing care retirement facilities (CCRCs). Recently, the NC Department of Revenue (DOR) has determined that most of the

fees that CCRCs charge for services they provide to their residents are “bundled transactions” that are subject to sales tax. Without legislative intervention, this would mean that CCRCs would need to start charging sales tax to their residents, which could ultimately mean less revenue for nonprofit CCRCs. This type of decision by DOR could set a bad precedent of applying sales tax to services offered by other types of nonprofits, even if legislators do not change the state sales tax laws.

- **What comes next:**
 - If legislators face a revenue shortfall in the future, they could look to apply sales tax to more services. Potentially, this could include many services provided by nonprofits.
- **The Center's role:**
 - *The Center explained to legislators and legislative staff the costs that nonprofits and those they serve may incur if sales tax were broadly applied to digital services offered by nonprofits. We successfully advocated for most types of digital property offered by nonprofits to be exempt from sales tax.*
- **Nonprofits' role:**
 - Nonprofit CCRCs advocated strongly for legislative intervention when DOR determined that they would need to charge sales tax on most of their services. In the future, it will be important for nonprofit service providers to explain to policymakers (when appropriate) why it would be harmful to the individuals and communities that they serve to add sales tax to the cost of their services.

Sales tax on admission fees. Policymakers should make clarifying changes to this law to minimize red tape for nonprofits and to avoid taxing North Carolinians on their contributions to private nonprofits.

- **What didn't happen in 2020:**
 - Legislators made no significant changes to the sales tax on admission fees this year.
- **What comes next:**
 - Legislators could clarify that nonprofit fundraising events are not subject to sales tax since they are not for the purpose of entertainment. The Center continues to advocate to make nonprofit fundraising events exempt from sales tax.
- **The Center's role:**
 - *Many nonprofits have expressed concerns and confusion about whether they are required to charges sales tax on the registration fees for fundraising events. The Center has advocated for legislative leaders to create a clear and consistent exemption from sales tax for nonprofit fundraising events. We will continue to advocate for this exemption in 2021.*

Major Policy Issues Affecting Nonprofits:

Independent redistricting. The Center has long supported an independent, nonpartisan redistricting process. [Nonpartisan redistricting would strengthen nonprofits' voices](#) since it would create many more competitive elections and would make politicians more responsive to their constituents (including constituent nonprofits serving their districts) rather than to their partisan political donors.

- **What happened so far in 2020:**
 - The NC House of Representatives did not hold committee hearings on any of [six legislative proposals for an independent, nonpartisan redistricting process](#). Any of these legislative proposals would be a significant improvement over the current system of gerrymandering. While legislators in the majority party are resistant to independent redistricting (which was true when Democrats were in the majority and remains true with Republicans in the majority), it is encouraging that more than half of the members of the House publicly signed on to support these proposals to end gerrymandering.
- **What comes next:**
 - Legislators may be more willing to consider independent redistricting after the 2020 election. It is possible that any proposals enacted in 2021 will not take effect until the next round of redistricting, after the 2030 Census.
- **Nonprofits' role:**
 - A diverse coalition of nonprofits (including the Center) has advocated for the General Assembly to adopt a nonpartisan redistricting system this year. It will be important for these nonprofits to continue this advocacy in 2021.

Medicaid expansion. Currently, nearly half a million North Carolinians have incomes which are too high to qualify for Medicaid but do not have enough money to purchase their own private health insurance or to receive federal support to help pay for health coverage. With ever-rising health care costs, these North Carolinians in the

coverage gap are turning more and more to nonprofits to meet many of their basic needs, such as health care, food, housing, and childcare. This problem exists because North Carolina remains one of final states that has declined the Affordable Care Act's option to expand Medicaid eligibility to many adults in this coverage gap.

- **What didn't happen in 2020:**
 - The NC General Assembly did not take up legislation to close the coverage gap ([H.B. 655](#)) this year. Governor Cooper has been clear that Medicaid expansion is one of his top priorities.
- **What comes next:**
 - It is possible that legislators could vote on Medicaid expansion next year.
- **Nonprofits' role:**
 - A broad coalition of nonprofits has been advocating for the past two years for legislators to close the health insurance coverage gap. Without the coordinated, strategic advocacy of these nonprofits, it is unlikely that the House would have gotten as close as it did to passing bipartisan legislation to adopt a form of Medicaid expansion in North Carolina.

Medicaid transformation. For several years, legislators and the NC Department of Health and Human Services (DHHS) have been attempting to convert the state's Medicaid system to a managed care program (that emphasizes value-based care known as [Medicaid transformation](#)). Ultimately, Medicaid transformation should help continue the trend of health care organizations working more closely with nonprofits that are focused on the social determinants of health.

- **What happened so far in 2020:**
 - Legislators approved a plan ([S.808](#)) for DHHS to begin Medicaid transformation on July 1, 2021.
- **What comes next:**
 - DHHS will resume its process of transitioning North Carolina's Medicaid system to managed care with the goal of having the new system in place by July 1, 2021. It will be important for nonprofits to continue to provide input to DHHS during this process.
- **The Center's role:**
 - *Last year, the Center offered a listening tour to get nonprofits' input on the ways that Medicaid transformation will affect the people served by their organizations. The Center will offer more training opportunities for nonprofits as DHHS moves forward with its plans for Medicaid transformation over the next 12 months.*

Combatting systemic racism. This summer, the problem of systemic racism has come into sharper focus in light of recent police killings of Black and Brown Americans and because communities of color have experienced much higher rates of COVID-19 diagnoses and deaths than the overall population of North Carolina. Many North Carolina nonprofit organizations and leaders – with a wide range of missions and backgrounds – have reaffirmed their commitment to end institutional racism through their words, actions, and willingness to listen. The Center supports government policies that will help combat systemic racism in North Carolina.

- **What happened so far in 2020:**
 - Governor Roy Cooper issued [Executive Order No. 143](#), establishing the Andrea Harris Social, Environmental, Economic, and Health Equity Task Force to address some of the root causes of this racial disparity. Specifically, the task force will seek policy solutions related to disparities in access to healthcare, economic opportunities, and environmental justice. The task force will meet bi-monthly during the COVID-19 state of emergency in North Carolina and quarterly thereafter.
 - Several members of the NC House of Representatives filed a resolution ([H.R. 1233](#)) to create a House Select Committee on Combatting Systemic Racism. The committee would study issues related to combating systemic racism in the areas of criminal justice, state government operations, economic opportunities, education, health, and housing. The House has not yet voted on whether to establish the study committee.
- **What comes next:**
 - Policymakers are likely to continue to consider a variety of policy solutions to combat systemic racism and the inequities it has created in our criminal justice system, environmental justice, economic policies, health care, education, and housing. It will be important for nonprofits to provide input into this ongoing policy conversation.
- **Nonprofits' role:**
 - Many nonprofits have taken an active role in advocating for a wide range of state policy changes that would help combat systemic racism in North Carolina's criminal justice system, health care policies,

public and private education systems, and housing policies. Nonprofits' advocacy on these issues has been instrumental in bringing these issues to the forefront of policymakers' minds.

Government Grants and Contracts with Nonprofits:

State budget. It is important for state legislators and the Governor to agree on a state budget each year to ensure that there is adequate state support for current needs in communities throughout North Carolina. Last year, Governor Cooper vetoed the state budget approved by legislators ([H.B. 966](#)), and the NC Senate was unable to override his veto. As a result, many state programs and services with increased need did not receive increased funding.

- **What happened so far in 2020:**
 - During this year's short session, the General Assembly passed a variety of mini-budget spending bills to provide appropriations for state programs and services for FY2020-21. Legislators did not attempt to override Governor Cooper's veto of the previous state budget or to pass an overall state budget for the new fiscal year.
 - Because of diminished tax revenue from the current economic recession, the state is projected to have a \$4.2 billion budget shortfall for FY2020-21. Legislators have used some of North Carolina's federal CARES Act money to replace about \$1 billion of this lost revenue ([S.816](#)).
- **What comes next:**
 - Governor Cooper may make recommendations to the General Assembly for a full state budget for FY2020-21 later this summer once more accurate revenue estimates are available.
 - Legislators may use additional federal funding to fill holes in the state budget when they reconvene in September. It is likely that the General Assembly also will consider cutting or eliminating some state programs and services, including some that provide funding for nonprofits, to ensure a balanced state budget.
 - If the recession persists beyond this winter, it is likely that the state will continue to have revenue shortfalls. The Center and other nonprofits will encourage legislators to consider options for new tax revenue to prevent further cuts to programs and services that are important to the well-being of communities throughout the state.
- **Nonprofits' role:**
 - With the state of North Carolina likely facing significant revenue shortfalls in the coming years, the NC Budget and Tax Center and many of its allies (including the Center) are advocating for legislators to consider new sources of tax revenue to prevent steep cuts to public services.

Prompt payment and full payment for costs. According to an Urban Institute report, half of all NC nonprofits with state grants and contracts are paid late by state agencies, the 11th worst record in the nation. The majority of these nonprofits are not paid the full cost of providing public services, and most are underpaid for their actual, reasonable, documented indirect costs.

- **What didn't happen in 2020:**
 - The General Assembly took no action on these issues.
- **What comes next:**
 - The Center will continue to advocate for legislators and state agencies to address the issues of full payment and prompt payment to nonprofits that provide public services through state grants and contracts.

Less red tape. Three-fourths of NC nonprofits that provide public services through state grants and contracts experience problems with the application processes and reporting requirements required by state agencies. Policymakers should find ways to streamline regulations, applications, and reporting and auditing requirements for nonprofit service providers.

- **What almost happened in 2020:**
 - A provision in the vetoed FY2019-21 state budget ([H.B. 966](#)) would have required DHHS to create a workgroup to address duplicative administrative requirements for mental health, substance use disorder, and intellectual/developmental disability providers (most of which are nonprofits). The House also passed this provision as a separate bill ([H.B. 471](#)) this spring, but it was not enacted.
- **What comes next:**

- Legislators could revisit this proposal in 2021. The Center also has talked with DHHS about having a broader DHHS working group to address problems nonprofits are experiencing with overly burdensome application, reporting, and monitoring problems with grants and contracts with any DHHS division.
- Nonprofits' input will be essential for this type of working group to develop useful improvements to contracting policies.
- **Nonprofits' role:**
 - Several nonprofits – including the Center – worked with legislators to develop the proposal to establish the DHHS workgroup.

State compliance with federal rules. Policymakers should ensure full and fair implementation of the cost principles and other grants reforms in the new OMB Uniform Guidance issued in December 2014.

- **What didn't happen in 2020:**
 - Lawmakers made no changes to conform state grant and contracting rules to the OMB Uniform Guidance.
- **What comes next:**
 - Legislators – or the NC Office of State Budget and Management – could revise state laws or regulations to raise the audit threshold for nonprofits with state grantees to the current federal level of \$750,000 per year. They also could require state agencies to pay nonprofits an indirect cost rate of at least 10%, consistent with the federal requirements in the OMB Uniform Guidance.

Nonprofit Operations:

Annual reporting. Unlike in other states, North Carolina nonprofit corporations do not file annual reports with the state. This can harm the public's trust in nonprofits, since tens of thousands of defunct nonprofits remain incorporated in North Carolina, creating the potential for misuse of a non-operational nonprofit in a way that would harm the public's trust in the nonprofit sector.

- **What didn't happen in 2020:**
 - The NC House of Representatives did not vote on a bill ([S.362](#)) that would fix this problem by creating a new [annual reporting requirement](#) for nonprofits that are incorporated in North Carolina. The bill, which passed the Senate unanimously in 2019, would have ensured that these annual reports were simple online forms, that there would be no new fees for nonprofits, and that organizations that have charitable solicitation licenses (and therefore already provide the same information to the Secretary of State) would be exempt. The Center supported this bill.
- **What comes next:**
 - While this proposal has had bipartisan support in the Senate, it is unclear whether it will be re-introduced next year since the bill's sponsor is retiring.
- **The Center's role:**
 - *The Center worked with the bill sponsor to improve this legislation to minimize potential burdens on nonprofits by creating an exemption for nonprofits that already file similar reports with the Secretary of State's Charitable Solicitation Licensing Division. We have spoken out in support of this bill, since it would improve the public's trust in nonprofits.*

Charitable solicitation. Strong and fair regulation of nonprofits and others who solicit funds on their behalf is essential to preserve the public's trust in the nonprofit sector. Under current law, small nonprofits with less than \$25,000 in annual contributions are exempt from annual charitable solicitation licensing (and the related expenses) if they do not compensate staff or contractors for fundraising.

- **What didn't happen in 2020:**
 - The Senate did not vote on a bill ([H.B. 732](#)) that would have raised the threshold for exemption to \$50,000 to be consistent with the filing threshold for the simple Form 990-N annual report with the Internal Revenue Service. The Center strongly supports this proposal, which passed the House unanimously in 2019.
- **What comes next:**
 - The Center will work with legislators to have this bill re-introduced next year.
- **The Center's role:**

- *The Center worked with the NC Bar Association to develop the language for this bill. We recruited bill sponsors in both the NC Senate and NC House of Representatives and worked with legislative leadership to get the House to pass the bill unanimously.*

Nonprofit corporations. Legislators have not made substantive changes to the NC Nonprofit Corporation Act (Chapter 55A of the NC General Statutes) in more than a decade.

- **What didn't happen in 2020:**
 - The Senate didn't vote on a bill ([H.B. 732](#)) that would have made two good changes to modernize the NC Nonprofit Corporation Act. Specifically, the bill would have:
 1. Modernized state laws for mergers of nonprofits to expressly allow nonprofit corporations to merge with unincorporated nonprofit associations and with single-member limited liability companies whose sole members are 501(c)(3) nonprofits; and
 2. Exempted a charitable nonprofit that is dissolving and transferring its assets to another charitable or religious organization from having the NC Attorney General review the transactions, as long as the asset transfer is done in accordance with a properly authorized plan of dissolution.

The House had unanimously passed this bill in 2019.
- **What comes next:**
 - The Center will work with legislators to have this bill re-introduced next year.
- **The Center's role:**
 - *The Center worked with the NC Bar Association to develop the language for this bill. We recruited bill sponsors in both the NC Senate and NC House of Representatives and worked with legislative leadership to get the House to pass the bill unanimously.*

Nonprofit fundraising events. Lawmakers should ensure that any rule changes for nonprofit fundraising events, such as charitable gaming, are clear and consistent with best practices for nonprofits.

- **What happened so far in 2020:**
 - Legislators approved minor changes to state bingo laws ([H.B. 1064](#)) to make them easier for nonprofits to understand. The Center supported this legislation.
- **What comes next:**
 - If nonprofits identify other needs for expansion or clarification of state laws governing nonprofit fundraising events, the Center will continue to bring these ideas to legislators for consideration.
- **The Center's role:**
 - *At the request of legislative staff, the Center reviewed the bill to ensure that it did not include any unintended negative consequences for nonprofits that offer bingo games as fundraising events.*

Mandatory volunteerism. Government "mandatory volunteerism" policies – which are work requirements in government benefit programs that include spending time volunteering with nonprofits – can put a strain on some nonprofits' capacity to handle volunteers, can create new financial and administrative burdens (and potential liability) for nonprofit organizations, and can create a pool of volunteers who may not be fully committed to nonprofits' missions.

- **What didn't happen in 2020:**
 - The NC Senate did not vote on a bill ([S.387](#)) that would have required DHHS to add work and "community engagement" requirements for most Medicaid recipients in North Carolina. Typically, these types of "community engagement" requirements obligate individuals to "volunteer" for a certain number of hours per week or per month to be eligible to receive governmental benefits. The Center opposed this bill.
- **What comes next:**
 - It is likely that legislators will continue to try to push for more work requirements with "mandatory volunteerism" components for other government programs. The Center will continue to oppose these proposals.

Election laws. Because nonprofits serve many people who are less likely to turn out to vote – including people with disabilities, low-income citizens, and young people – it is important for nonprofits to share clear and accurate (and nonpartisan!) information about the state's ever-changing electoral process. As demand for voting by mail has significantly increased this year due to the COVID-19 pandemic, it is important for North Carolinians to be able to vote safely and easily by mail.

- **What happened so far in 2020:**
 - Legislators approved a bill ([H.B. 1169](#)) that makes several changes to North Carolina's absentee voting process to make it easier for North Carolinians to vote by mail in 2020. These changes include:
 1. Allowing North Carolinians to request absentee ballots online rather than only by mail;
 2. Simplifying the requirements to request an absentee ballot this year by only requiring one witness (current law requires most North Carolinians to have either two witnesses or a notary attest to their signature when submitting an absentee ballot request);
 3. Providing state matching funds to ensure that North Carolina has access to federal election funding; and
 4. Requiring the NC State Board of Elections to investigate any internet protocol or virtual private network from which more than 10 absentee ballots are requested. This requirement could lead to the investigation of some nonprofits that provide computer access to clients or residents.

Prior to the enactment of these changes, North Carolina's absentee ballot requirements, which were stricter than most other states, made it challenging for many North Carolinians – particularly homebound seniors and individuals with disabilities – to request absentee ballots. The Center supported the bill since these changes would help many North Carolinians who receive nonprofits' services vote by mail this fall if COVID-19 remains a problem.
- **What comes next:**
 - Legislators could continue to make changes to the voting processes in North Carolina. They could make further changes to early voting periods, voter ID requirements, and absentee ballot processes. It will be important for nonprofits to continue to provide input on the impact of any potential election law changes on the people they serve.
- **Nonprofits' role:**
 - A variety of nonprofits – including voting rights advocates, and nonprofit service providers working with seniors, individuals with disabilities, and low-income North Carolinians – advocated for legislators to ease access to mail-in voting for the 2020 election. While the consensus bill that was passed does not go as far as some nonprofits would prefer (e.g. it does not allow for an entirely vote-by-mail election), nonprofits' advocacy certainly improved the legislation and will help ensure that far more North Carolinians are able to vote in the 2020 general election. In the coming months, it will be important for nonprofits to provide clear and nonpartisan information to their staff, boards, volunteers, and the people they serve about the options for absentee voting and early voting/same-day registration this fall.