North Carolina
Center for Nonprofits
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North Carolina Nonprofits Oppose TABOR

Charitable nonprofits across North Carolina are concerned that the Taxpayer Protection Act (also known as TABOR) would harm nonprofits that provide essential services in every community in our state. If TABOR (S.607) passed as a constitutional amendment, it would likely lead to new taxes, fewer private contributions, and increased burdens on charitable nonprofits.

At a time when 60% of North Carolina nonprofits already aren't able to meet basic needs, any new taxes on nonprofits or offloading of government services onto the sector will take away from charitable organizations' ability to serve communities across North Carolina. When nonprofits can't fully meet needs, nearly 1 in 5 people they serve turn to government programs instead. Without government or nonprofits able to support them, those 20% may simply fall through the cracks.

What changes would TABOR make to the N.C. Constitution?

If S.607 passes the Senate and the House by three-fifths supermajority votes, it would place a constitutional amendment on the November 2016 ballot that would do three things:

1. It would establish a maximum 5% individual income tax rate. Currently, the state constitution sets the maximum rate at 10%, and the present income tax rate is 5.75%.
2. It would limit growth of state spending to the total of inflation plus state population growth.
3. It would require the General Assembly to place at least 2% of the previous year's state budget in the Emergency Savings Reserve Fund, which could only be used with a two-thirds vote of legislators.

How would these change affect nonprofits?

- Colorado is the only state that has fully implemented TABOR. According to the Colorado Nonprofit Association: "TABOR has undermined the ability of Colorado nonprofits to meet current demands for services and respond to future changes in economic conditions, population growth, and the costs of delivering public services."
- By limiting the income tax rate, TABOR would force legislators to look for other ways to make up the state's lost revenue. These would likely include new taxes on nonprofits, limitations on the state charitable deduction, and expansion of sales tax to more services provided by nonprofits. All of these policy options would constrain nonprofits' capacity to provide essential services.
- TABOR's annual cap on state spending would likely mean fewer and smaller state grants and contracts for nonprofits that provide essential public services. This would reduce the capacity of the already heavily-burdened sector and would leave many communities underserved or unserved. In Colorado, 76% of nonprofits with state grants and contracts experienced a decrease in revenue after TABOR was implemented. Of these, 51% reduced programs, and 48% cut staff.
- The state spending cap would also effectively force the state to offload more public services to nonprofits during (and after) periods of economic recession, times when demands on nonprofits are already elevated. The effects would be particularly acute on services with rapid growth in costs, such as healthcare, and on sub-populations growing faster than the overall state, such as the elderly. In Colorado, 56% of nonprofits with state grants and contracts experienced an increase in demand for services after TABOR was implemented.

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