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Nonprofit Policy Update - May 14

1 message

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Note: The North Carolina Center for Nonprofits typically provides Nonprofit Policy Update each week as a benefit to its [nonprofit members](#). However, to help all North Carolina nonprofits respond to the COVID-19 pandemic, we're temporarily providing this newsletter to non-member nonprofits.

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NC House Unanimously Approves Bill to Improve Charitable Solicitation Laws

On Wednesday, the N.C. House of Representatives unanimously approved a bill ([H.B. 695](#)) that would make a [variety of improvements to the North Carolina charitable solicitation statute](#), including:

- **Exempting more small nonprofits from needing charitable solicitation licenses.** Currently, nonprofits are exempt from having charitable solicitation licenses if they receive less than \$25,000 in contributions per year and do not pay compensation to fundraisers. The \$25,000 threshold was established when the Internal Revenue Service (IRS) had a threshold of \$25,000 in annual expenses for

filing Form 990 (the annual information return for tax-exempt entities). Because the IRS threshold is now \$50,000 (and organizations below that threshold now need to file the simple, online Form 990-N), some small nonprofits need to have charitable solicitation licenses – and spend significant time completing paperwork and preparing financial statements – even though they are exempt from basic filing requirements from the IRS.

- **Eliminating notarization requirements for charitable solicitation applications and renewals.** Currently, the state charitable solicitation licensing law requires nonprofits to have charitable solicitation licensing applications and renewals notarized each year. The notarization requirement creates an extra burden for nonprofits in completing their charitable solicitation licensing documents and does not provide any additional public protection. During the COVID-19 pandemic, many nonprofits have found it difficult to have documents notarized.
- **Making automatic extensions of charitable solicitation filings identical to those for IRS Form 990.** The IRS currently allows nonprofits to receive an automatic six-month extension of their filing deadline for 990s. The North Carolina charitable solicitation statute only allows for a three-month automatic extension, and further extensions may be made at the discretion of the NC Secretary of State. Practically, this creates situations where some nonprofits are unable to file their charitable solicitation paperwork in a timely manner if their Forms 990 have not yet been completed.
- **Counting charitable solicitation forms as timely filed if they are postmarked by the filing deadline.** This change could help prevent nonprofits from being identified as out of compliance if there are mail delays.

This bill, which was recommended by the Center, was developed based on input the Center has received from nonprofits and from accountants and attorneys representing tax-exempt organizations over the past several years. The Center appreciates Representative Brandon Lofton (D-Mecklenburg) for introducing this bill and advocating for its passage in the House, along with additional sponsors Representatives Julia Howard (R-Davie), Robert Reives (D-Chatham), and Tim Moffitt (R-Henderson). The bill now moves to the Senate for consideration later this year.

NC Senate Approves Donor Privacy Bill

On Tuesday, the NC Senate approved a bill ([S.636](#)) designed to create limits on the disclosure of donors to nonprofits. The current version of the bill, as amended by the committee, would essentially do two things:

1. Prohibit nonprofits from disclosing “the identity of any person donating monies or other tangible goods to the nonprofit corporation” if a donor notifies the nonprofit that they would like their identity kept confidential. There is an exception for disclosures required by law, court order, or criminal investigations.
2. Prohibit state officials from providing Schedule B of nonprofits’ Forms 990 or 990-EZ (that is the attachment that includes donor information) in public records requests. This is consistent with federal tax law, which makes Schedule B donor information confidential.

The Center appreciates that the bill sponsor, Senator Norm Sanderson (R-Pamlico), amended the bill to address nonprofits’ concern about a provision in the original that could have created new fundraising burdens – and potentially legal liability – for many 501(c)(3) nonprofits. The bill passed the Senate along partisan lines. The House could take it up later this year.

NC General Assembly Passes Hundreds of Bills Prior to Crossover Deadline

Yesterday was the crossover deadline in the NC General Assembly – the date by which most bills must pass either the House or the Senate to be considered during the 2021-22 legislative session. Legislators considered hundreds of proposals in the weeks leading up to the crossover deadline. Over the past two weeks, the House approved 189 bills, and the Senate approved 79 bills. To become law, each of these bills will need to pass the other chamber and be approved by Governor Roy Cooper later this year or in 2022. Legislators can still consider bills that affect taxes or spending, the state constitution, election laws, or redistricting, even if they haven't yet been approved by the House or Senate.

U.S. Treasury Department Issues Guidance on Use of ARP Funds by State and Local Governments

On Monday, the U.S. Treasury Department issued an [Interim Final Rule](#) and other materials providing details on the ways the funds in the American Rescue Plan Act (ARP) for aid to state and local governments can be used. Notably for nonprofits, the rule restates the language in the ARP that governments can use the funds to provide relief to nonprofit organizations, although the wording in the guidance is a bit imprecise on the authorization of state and local governments to use the money to provide assistance to nonprofits. The guidance offers very narrow examples of the types of supports that governments may provide, listing the adoption of safer operating procedures, weathering periods of closure, or mitigating financial hardship resulting from the COVID-19 public health emergency. Despite these narrow examples, state and local governments are allowed to use ARP funding for other purposes consistent with the intent of ARP, such as partnering with charitable nonprofits to provide a full range of services aimed at mitigating the impact of the virus not just on the nonprofits themselves but on governments and resident alike.

Last week, the NC Senate unanimously approved a bill ([S.172](#)) that would formally create a State Fiscal Recovery Fund to spend the state's \$5.3 billion in aid from the ARP, as well as create a Local Fiscal Recovery Fund for \$3.8 billion in ARP funding for local government in North Carolina. The House could take up the bill as soon as next week. Legislative leaders have told the Center they are looking at ways to use some of the state funds to help nonprofits that have been harmed by the COVID-19 pandemic.

What Type of COVID Recovery Fund Would Help Your Nonprofit?

The Center is advocating for legislators to include a nonprofit recovery fund in the next state COVID-19 response package. Your input is essential in coming up with a plan to provide meaningful relief for nonprofits. Specifically, it would be helpful to know what type of economic hardships your nonprofit has experienced due to COVID-19 so we can advocate for a grant program with appropriate eligibility criteria. Examples of possible criteria could include:

- Revenue losses during some period of the pandemic;
- Shut-downs of operations due to COVID limitations;
- Loss of volunteers during the pandemic;
- Costs incurred by changing the way programs and services are provided as a result of social distancing; or
- Increase in services to meet community needs during the pandemic.

Let us know what type of eligibility criteria for a nonprofit relief fund would make the most sense for your nonprofit and other organizations in your community. Thank you if your nonprofit has already provided input. The Center has included input we have received in the [information sheet on the need for a nonprofit recovery fund](#) that we have shared with legislators.

General Assembly Gets Late Start on State Budget

One of the main roles of the state legislature is to approve a state budget to set spending levels and priorities for state government. The state budget typically includes funding for a wide variety of appropriations, grants, and contracts for nonprofits that provide public services and for state agencies that work in partnership with nonprofit organizations. This year, legislators need to approve a budget for the period from July 1, 2021 through June 30, 2023, although they can revise the second year of this budget next spring.

Governor Cooper released his [proposal for the state budget](#) in March. So far, the NC Senate (which starts the legislative budget process this year) has not yet begun to hold committee meetings on a budget proposal. Typically, either the House or Senate passes its version of the state budget by the beginning of May to allow time for the other chamber to pass a budget and for legislative leaders to negotiate a final version. Governor Cooper's proposal recommended a total of \$27.3 billion in state spending for FY2021-22 and \$28.6 billion for FY2022-23. This would be a large increase over the current \$24.8 billion state budget, and the legislative budget is likely to be much smaller than Governor Cooper's proposal.

If legislators are unable to reach an agreement on the budget by June 30, current state spending levels will remain in place.

Ask Your Members of Congress to Support WORK NOW Act

As congressional leaders consider federal infrastructure legislation later this year, it is important for North Carolina's members of Congress to understand the importance of including funding to help create new jobs in the nonprofit sector. The Work Opportunities and Resources to Keep Nonprofit Organizations Well Act (WORK NOW Act) ([S. 740](#) and [H.R. 1987](#)) would provide \$50 billion to support nonprofits providing direct services during the pandemic to enable them to pay the wages, salaries, and benefits of either existing employees or new employees. The National Council of Nonprofits has a [helpful synopsis of the WORK NOW Act](#) and has shared a [letter to congressional leadership](#) with each member of Congress.

You can help make a difference in getting the WORK NOW Act included in the congressional infrastructure plan by [contacting our U.S. Senators and your U.S. Representative](#) to encourage them to cosponsor the WORK NOW Act ([S. 740](#) and [H.R. 1987](#)) and to work to ensure that it is included in infrastructure legislation in 2021. Need help getting started in writing to them? The Center has [tips on how to write effective letters to elected officials](#) (complete with sample letters). You can include a link to the [National Council of Nonprofits' letter to Congress](#) and [one-page fact sheet on the WORK NOW Act](#) in any communication to your members of Congress.

NC House Proposal Would Create Retirement Benefit Program for Some Nonprofit Employees

A bill ([H.B. 899](#)) filed in the NC House of Representatives last week would create a new state-run retirement program for workers at small businesses and nonprofits that do not offer employer-provided retirement benefits. The NC Work and Save Program would make it easier for many nonprofit employees to create individual retirement accounts (IRAs), to plan for retirement savings, and to make regular contributions to their IRAs. The Center supports this bill since it could help many small nonprofits offer retirement benefits to their staff for the first time.

New NC House Bills Would Create Grant Programs that Could Help People Served by Nonprofits

Two new bills introduced in the NC House of Representatives this week would use some of the state's ARP funds to create grant programs for individuals and families. Both proposed grant programs could complement the services provided by nonprofits.

One bill ([H.B. 934](#)) would provide grants of \$1,000 per child (up to a maximum of \$3,000 per household) to families to help with a variety of academic and enrichment programs. Families could use these grants to pay for many services offered by nonprofits, including summer camps, before and after school programs, therapies for students with disabilities, and courses at nonprofit schools.

Another bill ([H.B. 955](#)) would provide grants to low-income families and families that experienced unemployment interruptions due to COVID-19. Eligible taxpayers who were on unemployment benefits for at least three months would receive \$1,000 grants, and other low-income families would receive \$250 grants.

Legislators could include either or both of these grants as part of a COVID funding bill later this year.

NC House Bill Would Increase State Tax Benefits for Charitable Contributions in 2021

A bill ([H.B. 940](#)) filed in the NC House of Representatives on Tuesday would make a variety of changes to state tax laws. Most notably for nonprofits, the bill would allow North Carolinians who use the universal charitable deduction – and those who itemize their deductions and contribute more than 60% of their adjusted gross income to charitable nonprofits – to get the full benefit of these tax deductions on their state taxes in 2021. Last year, North Carolina “decoupled” from these two federal tax incentives for charitable giving, meaning that North Carolinians who gave generously didn't get breaks on their state tax liability. The Senate passed a similar bill ([S.322](#)) last week, and there is a good chance that one of these bills will become law later this year.

NC House Approves Bill that Could Prevent Schools from Contracting with Nonprofits on Race Equity Work

On Wednesday, the NC House of Representatives approved a bill ([H.B. 324](#)) that would prohibit public schools from promoting a variety of concepts related to race or sex, including topics like race equity, gender equity, implicit bias, or systemic racism. The bill would prevent public schools from contracting with anyone for the purpose of advocating for these concepts. This provision could limit the ability of many nonprofits to work with

public schools on issues related to equity, diversity, and inclusion. The bill passed the House along party lines. It is unclear whether the Senate will consider it later this year.

Do You Want to Speak with Lawmakers about Policy Issues that Affect Your Nonprofit?

Right now, the Center is trying to learn more about who among our *Nonprofit Policy Update* readers has an interest in speaking directly with lawmakers and legislative assistants, and what resources would help you feel more confident in your ability to do so effectively. **Please take 1-2 minutes to take a quick survey to let us know.** The results will help us prioritize the resources we develop to help your nonprofit advocate on policy issues this year.



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Nonprofit Policy Update is a weekly newsletter for current members of the North Carolina Center for Nonprofits. We track state and federal policy issues that affect all 501(c)(3) nonprofits. Learn about the Center's [public policy priorities](#). For more information, contact [David Heinen](#), Vice President for Public Policy and Advocacy.

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