

Nonprofit Sector Impact

As mission-driven, tax-exempt organizations, nonprofits educate, inspire, revitalize, and build our communities. North Carolina nonprofits also have a powerful impact on North Carolina's economy.

\$51.2 billion

revenue nonprofits put back into NC's economy

360,000

jobs provided by nonprofits – nearly 10% of all NC private sector employment

\$19 billion

wages paid by NC's nonprofit sector

The definition of 'nonprofit corporation' is broad, and its distinct categories rely on information from IRS Form 990.

Nonprofits that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code must operate for the public benefit, i.e. achieve specific charitable, religious, educational, scientific, or literary purposes.

There are about 37,000 charitable nonprofits operating in North Carolina. They are food banks, museums, senior centers, houses of worship, schools, theaters, research facilities, animal shelters, health clinics, housing assistance center, transportation providers, and much more.

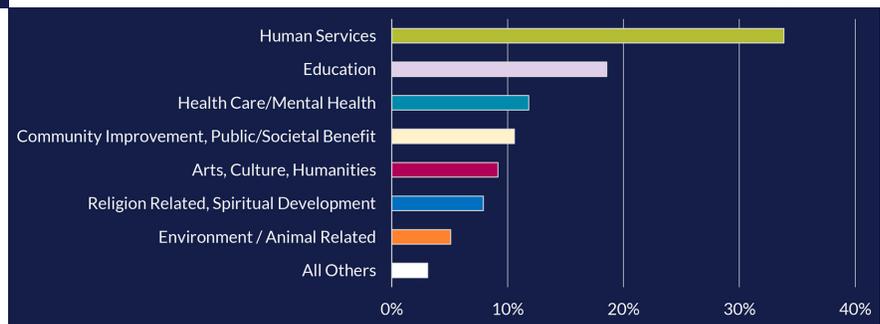
CATEGORY	HOW MANY	WHAT'S INCLUDED
Nonprofit Corporations	133,749	NC nonprofit corporations based on NC Secretary of State data
Tax-Exempt Nonprofits	49,131	All NC organizations exempt from federal income tax under any IRC 501(c) subsection, based on IRS data
501(c)(3) Organizations	39,943	All NC organizations exempt from federal income tax under IRC 501(c)(3), based on IRS data
501(c)(3) Public Charities	37,252	All NC organizations exempt from federal income tax under IRC 501(c)(3) and are not private foundations, based on IRS data
501(c)(3)s that File Form 990 or 990-EZ	11,545	All NC organizations exempt from federal income tax under IRC 501(c)(3), are not private foundations, and that file Form 990 or 990-EZ (typically with budgets of \$50,000 or more)

Most nonprofits are very small.

North Carolina has 11,500 organizations that are 501(c)(3) nonprofits with annual revenues over \$50,000.

Hospitals and private colleges and universities comprise only about 1.5% of these nonprofits but they account for just over half of nonprofits' \$51 billion in spending.

NC NONPROFITS BY MISSION



SOURCE: DataLake Nonprofit Research (info@datalake.net) ©2020, DataLake, LLC



SOURCE: National Council of Nonprofits, 2019, www.nonprofitimpactmatters.org

Nonprofits' revenue sources are varied

Nearly half of the sector's overall revenue comes from private fees for services like private schools, museums, health clinics, children's daycare, and senior care; one-third comes from government grants and contracts; only about 9% comes from individual and corporate contributions, even though these are the primary source of funding for many nonprofits.

HOWEVER

Nonprofits struggle with skyrocketing needs

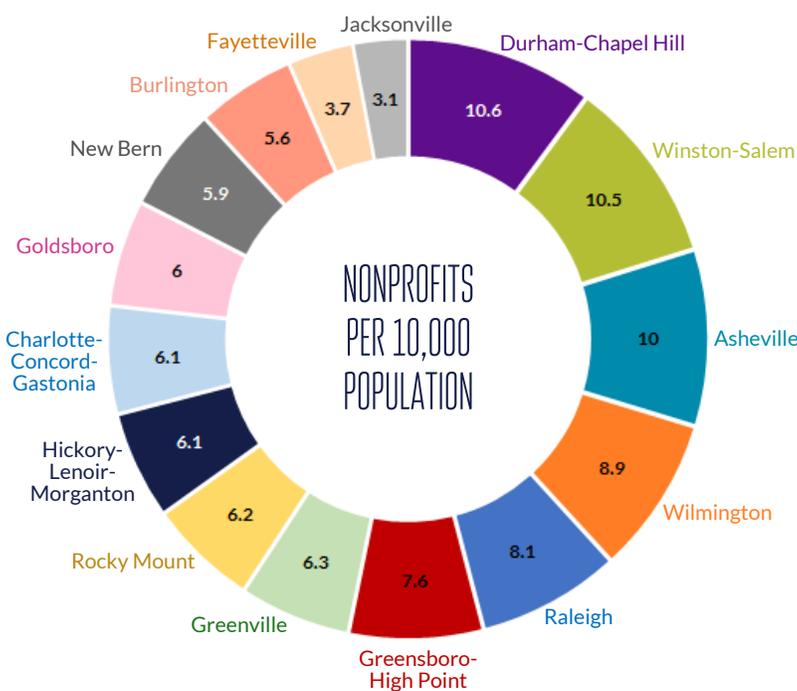
86% of NC nonprofits saw more demand for their services in 2018 but only 43% were able to meet the demand. Economic stress, population growth, and social problems cause more people to seek help at food banks, crisis assistance centers, homeless shelters, and consumer credit counseling services. (Nonprofit Finance Fund, <https://nff.org/learn/survey>)

AND

Nonprofits are seeing less funding and charitable giving

The federal tax law changes that took effect in 2018 mean that fewer than 10% of North Carolina taxpayers now use the charitable deduction, down from over 30% in 2017. Nationally, tax-deductible charitable contributions declined from \$160 billion in 2017 to \$103 billion in 2018.

While overall giving was down 3% in 2018 (when adjusted for inflation), 30% of NC nonprofits said they expected bigger declines in giving in 2019.



Nonprofits are not evenly distributed across North Carolina

The Triangle (more than 3,000 nonprofits) and Charlotte (more than 2,500 nonprofits) have the most nonprofits of any region, while northeastern NC (about 400 nonprofits) has the fewest.

The Durham-Chapel Hill, Winston-Salem, and Asheville areas all have at least 10 nonprofits for every 10,00 residents.

Fayetteville and Jacksonville - the two NC cities with large military populations - are among the 10 cities in the country with the lowest number of nonprofits per capita.

Total nonprofit employment and spending is greatest in the Triangle and Piedmont Triad regions.

While 501(c)(3) nonprofits are exempt from paying certain federal, state, and local taxes, nonprofits contribute significantly to public services by paying a variety of taxes and fees.

NONPROFITS AND STATE TAXES

Charitable nonprofits contribute more than \$1.1 billion per year in state taxes and fees that help support public education, access to healthcare, public safety, and other essential government services.

These taxes and fees far exceed the estimated \$700 million in foregone state revenue from nonprofit tax exemption and tax incentives for charitable giving.



TAX EXPENDITURE	AMOUNT	AMOUNT	TAX OR FEE
State Income Tax Exemption	\$58,000,000 ¹	\$635,000,000 ³	State Income Tax Employee Withholding
Franchise Tax Exemption	\$120,200,000 ²	\$293,000,000 ⁴	Sales Tax Collected
Sales Tax Refunds	\$279,300,000 ²	\$800,000 ⁵	State Unrelated Business Income Tax
Sales Tax Exemptions	\$2,200,000 ²	\$96,000,000 ⁶	State Unemployment Tax
State Charitable Deduction	\$230,600,000 ²	\$1,100,000 ⁷	Charitable Solicitation Licenses
State Corporate Charitable Deduction	\$6,800,000 ²	\$129,000,000 ⁸	Hospital Medicaid Assessments
TOTAL	\$697,100,000	\$1,154,900,000	TOTAL

¹ Based on national data compiled by Jon Pratt in Nonprofit Quarterly article. Forty-two states have corporate income taxes, and the average rate is 6%, which is twice the North Carolina rate, so North Carolina data was extrapolated accordingly.

² North Carolina Biennial Tax Expenditure Report (2019).

³ Based on nonprofit employment data from the second quarter of 2019 compiled by the Division of Employment Security of the NC Department of Commerce upon request of the North Carolina Center for Nonprofits.

⁴ Based on North Carolina sales tax collections with an estimate that nonprofits collect 4% of the state's sales and use taxes.

⁵ Based on IRS data extrapolating the North Carolina corporate income tax rate of 3% for 2018.

⁶ Based on payroll data noted in footnote 4 with the estimate that nonprofits pay an average of 0.07949% SUTA rate.

⁷ Based on data from the NC Secretary of State.

⁸ Based on a fiscal note from February 18, 2011 for S.32 of the 2011-12 legislative session with an estimate that nonprofit hospital pay 60% of the hospital Medicaid assessments in North Carolina.

501(c)(3) nonprofits and for-profit businesses are both private organizations but have fundamental differences that set them apart.

NONPROFITS
501(c)(3)

VERSUS

BUSINESSES
FOR-PROFIT

Primary objective = public benefit



Primary objective = profit

Must reinvest net earnings back into their missions but do need net earnings to continue their work and be sustainable

Net earnings may be distributed to shareholders, employees, owners, and other private individuals

Exempt from federal and state income taxes, eligible to request refunds of sales taxes paid, and most nonprofits are exempt from property tax on land and buildings they own and operate



Pay taxes on income, purchases, and property owned

Donors may deduct some of their contributions from their federal and state income taxes

Financial data is public information, including Form 990 that is filed annually and includes information on programs, revenue and expenses, key employees' salaries, governance, and the identity of directors and officers



Financial data is private except for publicly-traded corporations

Allowed to advocate and lobby but prohibited from partisan politics. They can lose their tax-exempt status if they make political contributions or coordinate activities with political parties or candidates for office.



May engage in partisan politics

SOURCES: Internal Revenue Service; Giving USA; Association of Fundraising Professionals, Fundraising Effectiveness Project, 2019