CSL Changes Would Help Nonprofits Operate More Effectively

The North Carolina Center for Nonprofits is asking the NC General Assembly to modernize North Carolina's charitable solicitation licensing laws to allow nonprofits to operate more efficiently and to use more of their time and money for their mission-related programs, services, and activities.

Specifically, nonprofits are asking for three changes to the NC Charitable Solicitation Licensing Act:

Charitable solicitation license exemption for small nonprofits. Currently, the state charitable solicitation statute exempts nonprofits from licensing requirements if they have less than $25,000 in contributions annually and do not compensate anyone for fundraising. The $25,000 threshold was set when the Internal Revenue Service 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, 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.

- Legislators should bring the charitable solicitation licensing exemption into conformance with current federal tax standards by raising this threshold from $25,000 to $50,000.

Automatic extension of charitable solicitation filing deadlines. The statutory deadline for filing charitable solicitation licensing applications and renewals was established to be consistent with the deadline for nonprofits' filing their Forms 990 with the IRS. This makes sense since nonprofits must include their 990s with their charitable solicitation filings each year. The IRS currently allows nonprofits to receive an automatic six-month extension of this filing deadline. The 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. The misalignment of these filing deadlines has created challenges for many nonprofits.

- Legislators should modernize the filing deadline provisions in the charitable solicitation licensing statute to allow for identical automatic extensions to those provided by the IRS.

The NC House of Representatives unanimously approved these changes in 2021 as part of H.B. 695, and the Senate unanimously approved these changes in 2023 in S.429. These changes are also included in H.B. 741.

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