



H.B. 695 Would Help Nonprofits Operate More Effectively

The North Carolina Center for Nonprofits, which works with nonprofits serving all 100 counties of North Carolina, strongly supports H.B. 695 (Modify Charitable Solicitation Licensing Laws). *H.B. 695 would allow nonprofits to operate more efficiently and to use more of their time and money for their mission-related programs, services, and activities.*

Specifically, H.B. 695 makes three important 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.

- **H.B. 695 would bring the charitable solicitation licensing exemption into conformance with current federal tax standards by raising this threshold from \$25,000 to \$50,000. This change was included in H.B. 732 in the 2019 session, which the House unanimously approved.**

Notarization requirements for charitable solicitation licenses. 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.

- **H.B. 695 would eliminate an unnecessary burden by removing the notarization requirement for charitable solicitation licensing paperwork from the statute.**

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.

- **H.B. 695 would modernize the filing deadline provisions in the charitable solicitation licensing statute to allow for identical automatic extensions to those provided by the IRS.**

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