



# Key Legislation Affecting North Carolina Nonprofits in 2017

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## Tax Policy:

- **Nonprofit tax exemption.** All 501(c)(3) nonprofits should be fully exempt from state and local taxes – including sales, property, and business taxes – on activities related to their charitable missions. New taxes on nonprofits would reduce their ability to provide essential services and force them to cut jobs.
  - **What happened in 2017:**
    - For the first time in decades, legislators introduced bills to replace nonprofit sales tax refunds ([S.70](#) and [S.497](#)) with tax exemption. While neither bill received a committee hearing, the introduction of these bills is a positive development for nonprofits, since it signals that legislators are open to the idea of expanding nonprofit tax exemption.
  - **What didn't happen in 2017:**
    - The Senate declined to take up a bipartisan bill ([S.497](#)) that would have [exempted most 501\(c\)\(3\) nonprofits](#) from paying sales tax on their purchases. Currently, most nonprofits pay sales tax and are eligible for semi-annual refunds. Under the proposal, most 501(c)(3) nonprofits (those that are currently eligible for sales tax refunds) would have gotten sales tax exemption certificates, and they would have used these sales tax exemption numbers to avoid paying sales tax. This change would have reduced nonprofits' recordkeeping and reporting burdens and would also have freed up more of nonprofits' financial resources to be used immediately, rather than requiring nonprofits to "loan" money to the state for up to six months.
    - The Senate also didn't take action on another bill ([S.70](#)) that would direct the Revenue Laws Study Committee to study the possibility of replacing nonprofit sales tax refunds with sales tax exemption.
    - The House did not take action on a bill ([H.B. 900](#)) that would authorize the Revenue Laws Study Committee to investigate whether existing property tax exemptions – including those that apply to nonprofits – are serving their intended functions or whether they are "suitable for repeal." The Center has been concerned that this study could lead to some 501(c)(3) nonprofits losing their property tax exemption. Nonprofit tax exemption is [essential for communities throughout the state](#), since taxes on nonprofits mean fewer resources for programs and services that benefit the public.
  - **What to expect in 2018 and beyond:**
    - As local governments look for additional sources of revenue, legislators are likely to continue to consider ways to limit or eliminate nonprofit property tax exemption. This action could take the form of legislative studies or direct legislation to tax nonprofit property.
    - Legislators also could revisit the idea of capping or eliminating nonprofit sales tax refunds. This could be a particularly appealing to legislators if there is a revenue shortfall due a recession, cuts in federal support for states, or reductions in state revenue once the next round of tax cuts take effect in 2019,
    - Policymakers could also revisit legislative proposals to exempt nonprofits from paying sales tax. Shifting from nonprofit sales tax refunds to tax exemption could cut red tape for both nonprofits and local governments.
  - **For more:** [www.ncnonprofits.org/sites/default/files/public\\_resources/Tax exemption talking points - 2016.pdf](http://www.ncnonprofits.org/sites/default/files/public_resources/Tax%20exemption%20talking%20points%202016.pdf)
- **Incentives for charitable giving.** Tax policies should encourage North Carolinians to give back generously to their communities by supporting the work of charitable nonprofits.
  - **What happened in 2017:**
    - The state budget ([S.257](#)) increases the standard deduction (or zero tax bracket) by \$1,250 for single taxpayers and \$2,500 for married taxpayers, starting in 2019. The tax changes in the state budget maintain the existing cap on the mortgage interest deduction but keep the charitable deduction uncapped. These changes will mean that fewer North Carolinians will use itemized deductions on their state taxes. This could slightly reduce the amount of charitable donations in North Carolina.

- **What didn't happen in 2017:**
  - The House did not take up legislation ([H.B. 54](#)) that would have removed an existing cap on itemized deductions for mortgage interest and property taxes paid. This could have helped charitable giving in two ways. First, it would lead more taxpayers to use itemized deductions instead of the standard deduction on their state taxes, meaning that more taxpayers would benefit from the state charitable deduction. Second, it would set a precedent of removing caps on itemized deductions in the tax code. In recent years, some state legislators have proposed imposing a cap on the charitable deduction.
  - The House also didn't take action on two bills that would have created new state tax credits that could benefit some nonprofits. One bill ([H.B. 885](#)) would establish community opportunity tax credits, which would encourage individuals and businesses to make contributions to nonprofit community-based development organizations to [create jobs and support affordable housing in underserved communities](#). Another bill ([H.B. 905](#)) would reinstate the state tax conservation tax credit which encourages businesses to contribute land for conservation purposes.
- **What to expect in 2018 and beyond:**
  - Once the next round of tax changes takes effect in 2019, legislators could revisit existing limits on itemized deductions. This could lead to a renewed effort to cap the charitable deduction or could mean fewer limits on other itemized deductions, which could ultimately mean that more taxpayer could take advantage of the state charitable deduction.
  - Legislators could also consider proposals to expand incentives for charitable giving, such as:
    1. Reinstating the state IRA charitable rollover – which allows seniors to donate to nonprofits from their IRAs – on state taxes.
    2. Protecting businesses that give generously to nonprofits by allowing them to take the same deduction for charitable giving on their state taxes as they take on their federal taxes.
    3. Reinstating a state tax credit for individuals who make significant charitable contributions but use the standard deduction on their state taxes.
    4. Establishing special tax credits for contributions that support particular types of activities provided by nonprofits.
  - **Sales tax on services.** Many nonprofits' charitable services should not be taxed. If they were, nonprofits would have to increase their fees, and fewer people would be able to afford nonprofits' essential services, even when they are priced below the cost of providing them.
    - **What didn't happen in 2017:**
      - Legislators did not expand sales tax to additional services this year.
    - **What to expect in 2018 and beyond:**
      - If legislators face a revenue shortfall in the future, they could look to apply sales tax to more services. Potentially, this could include many services provided by nonprofits.
  - **Sales tax on admission fees.** Policymakers should make clarifying changes to this law to minimize red tape for nonprofits and to avoid taxing North Carolinians on their contributions to private nonprofits.
    - **What didn't happen in 2017:**
      - Legislators made no significant changes to the sales tax on admission fees this year.
    - **What to expect in 2018 and beyond:**
      - Legislators could clarify that nonprofit fundraising events are not subject to sales tax since they are not for the purpose of entertainment.
  - **Tax policy in the state constitution.** Policymakers should avoid constitutional amendments or other policies that would institutionalize limits on legislators' fiscal policy options. These types of limits can have unintended consequences for nonprofits.
    - **What almost happened in 2017:**
      - The Senate approved a bill ([S.75](#)) that would place a constitutional amendment on the November 2018 ballot to limit the state income tax rate to 5.5%. While policymakers and taxpayers generally don't like tax increases, this proposal could limit lawmakers' tax policy options. Ultimately, it could increase the likelihood that policymakers could have to tax nonprofits, eliminate state tax incentives for charitable giving, or reduce state grants and contracts with nonprofits. If it passes the House with a 60% vote, it would go on the November 2018 ballot.
    - **What didn't happen in 2017:**
      - The House did not vote on a version of the Taxpayer Protection Act (also known as the Taxpayer Bill of Rights or TABOR) ([H.B. 727](#)). TABOR would place a constitutional amendment on the November 2018 ballot to limit growth of state spending based on a formula that includes population growth and the rate of inflation. In Colorado, the only state that has adopted a similar constitutional amendment,

nonprofits have seen significant reductions in state funding and increases in demand for services after recessions that have occurred with TABOR in effect.

- **What to expect later in 2017 and beyond:**
  - The House could still vote on S.75 later in 2017 or 2018. It could come up for a vote during the special legislative session that will be held in late August 2017.
- **For more:** [www.ncnonprofits.org/sites/default/files/public\\_resources/Income tax cap and nonprofits.pdf](http://www.ncnonprofits.org/sites/default/files/public_resources/Income%20tax%20cap%20and%20nonprofits.pdf)

## Government Grants and Contracts with Nonprofits:

1. **Prompt payment and full payment for costs.** Half of all NC nonprofits with state grants and contracts are paid late by state agencies, the 11<sup>th</sup>-worst record in the nation. The majority of these nonprofits are not paid the full cost of providing public services and most are underpaid for their actual, reasonable, documented indirect costs.
  - **What happened in 2017:**
    - The General Assembly passed a regulatory reform bill ([S.131](#)) that, among other things, authorizes the Joint Legislative Program Evaluation Division to study the [red tape that nonprofits experience](#) when they provide public services through state grants and contracts. The study stems from research by the Center and our national partners that shows that half of North Carolina nonprofits with government grants and contracts are paid late by government agencies and that three-fourths of these nonprofits experience unnecessarily burdensome application and reporting requirements. The study would recommend solutions to address these issues and to address the chronic underpayment of nonprofits' indirect costs by state agencies.
  - **What to expect later in 2017 and beyond:**
    - The Program Evaluation Division could begin its study of these issues later this year or in 2018.
  - **For more:** [www.ncnonprofits.org/sites/default/files/public\\_resources/Nonprofits and government contracting 5-4-16.pdf](http://www.ncnonprofits.org/sites/default/files/public_resources/Nonprofits%20and%20government%20contracting%205-4-16.pdf)
2. **Less red tape.** Three-fourths of NC nonprofits that provide public services through state grants and contracts experience problems with the application processes and reporting requirements required by state agencies. Policymakers should find ways to streamline regulations, applications, and reporting and auditing requirements for nonprofit service providers.
  - **What almost happened in 2017:**
    - The House of Representatives passed a bill ([H.B. 631](#)) to create a Department of Health and Human Services (DHHS) working group to look into duplicative administrative requirements for behavioral health service providers. If the bill is enacted, the working group will look at redundant reporting, oversight, audits, credentialing, monitoring, and documentation imposed on mental health, substance use, and intellectual/developmental disability service providers.
  - **What to expect later in 2017 and beyond:**
    - The Senate could approve H.B. 631 in 2018.
    - The Center has talked with DHHS about having a broader DHHS working group to look at problems nonprofits that provide public services through grants and contracts with any division of DHHS are experiencing with overly burdensome application, reporting, and monitoring problems. Nonprofits' input will be essential for this type of working group to be formed and develop useful improvements to contracting policies.
3. **State compliance with federal rules.** Policymakers should ensure full and fair implementation of the cost principles and other grants reforms in the new OMB Uniform Guidance issued in December 2014.
  - **What didn't happen in 2017:**
    - Lawmakers made no changes to conform state grant and contracting rules to the OMB Uniform Guidance.
  - **What to expect in 2018 and beyond:**
    - Legislators or the N.C. Office of State Budget and Management could revise state laws or regulations to raise the audit threshold for nonprofits with state grantees to the current federal level of \$750,000 per year and to require state agencies to pay nonprofits an indirect cost rate of at least 10%, consistent with the federal requirements in the OMB Uniform Guidance.
4. **Adequate state support for public services provided by nonprofits.** Nonprofits have proven to be efficient and effective in delivering public services through government grants and contracts. Legislators should maintain, and, where appropriate, expand state support for nonprofits that provide essential public services

for North Carolinians. They also should ensure that the state budget includes adequate financial support for nonprofits that are expected to provide services instead of state or local governments.

- **What happened in 2017:**
  - The General Assembly passed a state budget for FY2017-19 ([S.257](#)) that generally maintains – and in a few instances expands – funding for state grants and contracts with nonprofits. For more details, see the Center’s [chart](#) comparing how the final version of the state budget compares to the House and Senate budgets on a variety of issues and spending decisions affecting nonprofits.
  - The state budget includes one-time funding for more than 90 nonprofits, totaling more than \$19 million ([see the Center’s list of these special appropriations to nonprofits](#)). Nonprofits receiving these earmarks – many of which have not received state funding in the past – will need to comply with [Office of State Budget and Management reporting requirements](#), which apply to organizations receiving state appropriations or grants from state agencies.
  - The state budget also includes a requirement that nonprofits may not spend more than \$120,000 per year in state funds on any individual’s salary. Unlike the Senate’s version of the budget, this provision is not codified in the State Budget Act, which means it could be changed in future budgets.
- **What almost happened in 2017:**
  - The House of Representatives approved a bill ([H.B. 311](#)) that would require all nonprofits with state grants or sub-grants to post conspicuously in their offices the State Auditor’s hotline telephone number for anonymously reporting improper governmental activities.
- **What didn’t happen in 2017:**
  - The Senate considered a bill ([S.304](#)) that would change audit requirements for nonprofits with state and local grants and contracts. The latest version would require that:
    1. Nonprofits that receive state or local funds would need to have audits every four years if they have annual revenues of \$1 million or more. Smaller nonprofits would be allowed to have financial reviews (which are less comprehensive and less expensive) every four years. This is consistent with the Center’s *Principles & Practices for Nonprofit Excellence*.
    2. Nonprofits that already have audits or financial reviews in the ordinary course of business or in compliance with federal contracting requirements would not need to have separate audits for state compliance purposes.
    3. Nonprofits can choose their own CPA firms for their audits or financial reviews.
    4. Nonprofits are not required to pay for the State Auditor’s costs in processing their audits or financial reviews.
- **What to expect in 2018 and beyond:**
  - Legislators could pass audit legislation in 2018. It could be amended to exempt small nonprofits and those receiving relatively small state or local grants or contracts from audit or financial review requirements.
  - It is unclear whether legislators will continue to include earmarked appropriations to nonprofits in future state budgets.
- **For more:** [www.ncnonprofits.org/state-budget-2017](http://www.ncnonprofits.org/state-budget-2017)

## Nonprofit Operations:

1. **Annual reporting.** North Carolina is one of the only states that does not require nonprofit corporations to file annual reports with the state. An annual reporting requirement would help protect the integrity of the nonprofit sector. The potential for abuse in the current system has led some elected officials to question the merits of nonprofit tax exemption. Currently, more than 120,000 nonprofits are incorporated in North Carolina, but only about 36,000 tax-exempt organizations file some variation of the Form 990 with the IRS. Any legislation to establish annual reporting requirements should ensure that: (1) information required on the reports is reasonable and not excessive; (2) the reporting process is not burdensome for nonprofits; (3) a process is in place to notify nonprofits about the new legal requirement; (4) nonprofits are not charged filing fees; and (5) the N.C. Secretary of State has adequate funding to maintain a user-friendly online filing system.
  - **What almost happened in 2017:**
    - Both the N.C. Senate and N.C. House of Representatives approved a bill ([S.114](#)) to create a [new annual filing requirement for nonprofits](#) that are incorporated in North Carolina. The Senate would need to approve the bill one more time before it goes to Governor Cooper for his signature. The annual filing, which every North Carolina nonprofit corporation would need to complete beginning in 2020, would be done online, and nonprofits will not be charged a fee. Presuming the bill gets final approval, the Center will work with the N.C. Secretary of State to ensure that nonprofits – particularly small

organizations – are aware of the new requirement and that the online filing is easy for nonprofits to complete and is not duplicative of other filings that nonprofits already are required to submit.

- **What to expect in 2018 and beyond:**
  - Legislators could give final approval to the annual report legislation in their special sessions in late August 2017 or in 2018.
  - **For more:** [www.ncnonprofits.org/nonprofit-annual-reports](http://www.ncnonprofits.org/nonprofit-annual-reports)
- 2. **Charitable solicitation.** Strong and fair regulation of nonprofits and others who solicit funds on their behalf is essential to preserving the public's trust in the nonprofit sector.
  - **What didn't happen in 2017:**
    - Legislators made no changes to charitable solicitation laws.
  - **What to expect in 2018 and beyond:**
    - Legislators could consider legislation to clarify that the mere presence of a “donate” button on a nonprofit's website – or a similar passive link – is not enough to trigger charitable solicitation registration requirements.
- 3. **Laws affecting nonprofits as employers.** Nonprofits provide one in 10 jobs in North Carolina. As lawmakers consider changing laws that affect businesses – such as revisions to health care policy, employment laws, or regulatory reform – they should actively seek input from nonprofits, ensure that nonprofit employers are treated equivalently to other businesses, and take into consideration any unique legal considerations necessary for tax-exempt nonprofits.
  - **What happened in 2017:**
    - Legislators passed a bill ([H.B. 5](#)) that benefits nonprofits that elect to reimburse the state for unemployment insurance (UI) claims rather than pay the state UI tax. These nonprofits are required to maintain an escrow account with the state in the amount of 1% of their payroll. The new law allows these nonprofits to apply for a refund if they erroneously remit too much money to the state.
    - During its early August 2017 special session, the General Assembly approved a bill ([S.407](#)) that would bolster state enforcement of worker misclassification (*i.e.* when employers – including nonprofits – wrongly classify their workers as independent contractors instead of employees) by creating a new division within the N.C. Industrial Commission to coordinate with other state agencies to investigate employee misclassification.
    - Lawmakers passed a bill ([S.82](#)) that exempts employees of “seasonal amusement or recreational establishments” from state overtime pay requirements and state labor record-keeping requirements. While the exemption is aimed at minor league baseball teams, it applies to employers – including nonprofits – the operate for seven months of a year or fewer or that have significantly lower receipts in one half of the year than in the other six months.
    - The regulatory reform bill ([S.16](#)) that was approved during the early August 2017 special session modifies rules for small employer health benefit plans to make it easier for nonprofits and small businesses with fewer than 26 employees to get stop loss or catastrophic insurance coverage for their employees.
  - **What almost happened in 2017:**
    - The House passed two bills that would make more nonprofits and businesses use the federal E-Verify system to check the immigration status of employees and potential employees. One bill ([H.B. 306](#)) would require all state and local government contractors – including many nonprofits – to use E-Verify. Under current law, E-Verify requirements only apply to nonprofits with 25 or more employees. Another bill ([H.B. 35](#)) would lower this threshold to 15 or more employees. Some nonprofits have indicated that using the E-Verify system could add extra time and expenses to the process of hiring employees.
  - **What didn't happen in 2017:**
    - Legislators took no action on legislation to require employers – including nonprofits – to offer paid sick leave. House ([H.B. 544](#)) and Senate ([S.556](#)) bills would have required employers to offer paid sick leave at a rate of at least one hour for every 30 hours worked.
    - Neither the House nor the Senate considered legislation to raise the state's minimum wage. Legislation ([H.B. 289](#) and [S.210](#)) introduced in the state House and Senate would have gradually raised the state's minimum wage (currently at \$7.25 per hour in North Carolina) to \$15 per hour by 2022. A bill ([H.B. 474](#)) introduced House would have raised the state's minimum wage to \$7.75 per hour for small employers and \$10.75 per hour for large employers. Under H.B. 474, the minimum wage would have increased based on inflation each year beginning in 2019. Small employers are defined as those with less than \$500,000 in “annual gross volume of sales made or business done.” While these changes could increase labor costs for some nonprofits and businesses, many nonprofit organizations have

- expressed support for a higher minimum wage because it could help people served by nonprofits and reflects best practice for nonprofits providing adequate pay and benefits for their employees.
- The House did not take up a bill ([H.B. 633](#)) would have created a new voluntary retirement program for small employers – including nonprofits – with fewer than 50 employees that do not offer their own retirement plans. This “work and save” proposal could enable more nonprofit employees to have retirement plans.
  - **What to expect in 2018 and beyond:**
    - Legislators could enact laws requiring more employers to use E-Verify.
    - It is unlikely that legislators will pass legislation raising the state minimum wage or requiring employers to provide paid sick leave in 2018.
4. **Nonprofit fundraising.** Lawmakers should ensure that any rule changes for nonprofit fundraising events, such as charitable gaming, are clear and consistent with best practices for nonprofits.
- **What almost happened in 2017:**
    - Governor Roy Cooper vetoed a bill ([H.B. 511](#)) that would have expanded options for nonprofit fundraising events in several ways. The bill would:
      1. Increase the number of raffles nonprofits can hold each year from two to four;
      2. Clarify that local affiliates of national or statewide nonprofits can each hold up to four raffles per year;
      3. Increase the maximum cash prizes for raffles to \$250,000 per year for every nonprofit conducting raffles;
      4. Allows nonprofits to raffle or auction alcoholic beverages in their original closed containers;
      5. Simplify the process for nonprofits to reapply for special one-time alcohol permits for fundraising events, starting on December 1, 2017; and
      6. Allow nonprofits to conduct up to four “game nights” or “casino nights” per year. These fundraising events are currently illegal in North Carolina, although this law is not consistently enforced throughout the state and many nonprofits host “casino nights.” With the change in this bill, nonprofits would be permitted to sell alcohol at these fundraising events and will need to obtain permits from the Department of Public Safety. The bill provides greater clarity and uniformity for these types of nonprofit fundraising events.
    - **What to expect later in 2017 and beyond:**
      - Legislators could vote to override Governor Cooper’s veto of H.B. 51 in one of their special sessions in the fall of 2017 or in the 2018 short session. Alternatively, they could work with Governor Cooper to come up with a mutually agreeable version of the bill. This would probably not change the nonprofit provisions in the bill, since Governor Cooper’s veto message noted his support for these types of nonprofit fundraising events, but expressed concern that it could open the door for video poker to come to North Carolina (even though nothing in the bill would allow for video poker).

5. **Nonprofit Independence.** Lawmakers should treat charitable nonprofits as independent, nongovernmental corporations that retain control over their own organizational policies and practices.

    - **What didn’t happen in 2017:**
      - The House did not take action on a bill ([H.B. 328](#)) to take action against the National Collegiate Athletic Association (NCAA) and the Atlantic Coast Conference (ACC), both of which are 501(c)(3) nonprofits, in response to their decisions to pull sports tournaments out of North Carolina because of concerns about the Public Facilities Privacy and Security Act (also known as HB2). Specifically, H.B. 328 would have:
        1. Directed the President Pro Tempore of the N.C. Senate and the Speaker of the N.C. House of Representatives to file a complaint to the Internal Revenue Service alleging that the NCAA and ACC violated federal tax law by engaging in excessive lobbying because of their “economic retaliation” against the state.
        2. Required state universities to disclose the names of any employees or faculty members who serve on the boards, committees, commissions, or task forces of the NCAA and ACC and to make public all matters (other than legal settlements and personnel matters) on which these nonprofit boards, committees, commissions and task forces voted and how each individual votes on these items. All of this information would be public record.
      - **What to expect in 2018 and beyond:**
        - Legislators could revisit proposals to retaliate against nonprofits for actions they take to voice their concerns about actions taken by the General Assembly. The legislation considered in 2017 was problematic for several reasons:

1. The allegations that the two nonprofits in question violated federal tax law appeared to be frivolous. While charitable nonprofits are prohibited from engaging in partisan politics, they may engage in a limited amount of lobbying activities (*i.e.* communicating with lawmakers in support of or in opposition to legislation). There are no limits on the amount of advocacy (the broad category of ways that nonprofits make their voices heard about issues related to their missions) that 501(c)(3) nonprofits can do. Deciding to move sporting events in response to legislative action is a legal form of advocacy for nonprofits.
  2. This type of legislation – and the media attention it generates – can mislead the public about what types of advocacy activities are legal for 501(c)(3) nonprofits.
  3. The bill could have forced some board members of the ACC and NCAA to violate their fiduciary duties to the nonprofits by making public board discussions and votes that they are legally required to keep confidential.
  4. This proposal could have chilled nonprofits' free speech by setting a precedent that it is appropriate for state legislators to retaliate against individual 501(c)(3) organizations when they disapprove of the nonprofits' advocacy activities, even though these activities are legal, appropriate, and consistent with their missions.
6. **Needs for services provided by nonprofits.** Lawmakers should ensure that any policy changes that shift burdens of providing public services from governments to nonprofits provide adequate funding for the nonprofits that will be expected to provide these services.
- **What happened in 2017:**
    - The state budget includes a provision requiring county departments of social services to do quarterly eligibility monitoring for recipients of SNAP or Medicaid. If the bill passes, it would create new reporting and documentation requirements for some low-income North Carolinians, which may mean that nonprofits providing services to them will need to provide assistance to ensure that they don't lose SNAP or Medicaid benefits.
  - **What almost happened in 2017:**
    - The House unanimously approved a bill ([H.B. 743](#)) that would create a new joint legislative committee to study efficiency and cost-savings in state government. One of the main tasks of the study committee would be to look for opportunities for “alternative methods of delivering services” currently provided by state government. These could include “shedding one or more of these services and relying upon the free market for delivery” (translation: asking nonprofits to provide more services without any funding), outsourcing government programs to nonprofits and/or for-profits through competitive selection processes, and “assisting or providing incubator arrangements for current State employees to form non-State organizations to compete for outsourcing opportunities” (translation: creating new competition for limited funding sources for existing nonprofits). If this study committee is created, it will be important for nonprofits to provide input to ensure that its recommendations help alleviate, rather than contribute to, problems already facing many nonprofits that provide essential services for North Carolinians. The General Assembly included a similar one-time study of efficiency and cost-savings in the Secretary of State's office in a separate bill ([S.78](#)).
  - **What didn't happen in 2017:**
    - The final version of the state budget ([S.257](#)) didn't include a Senate provision that would have made nearly 133,000 North Carolinians ineligible for the Supplemental Nutritional Assistance Program (also known as SNAP or food stamps) by eliminating broad-based categorical eligibility. This provision would have meant that thousands of additional North Carolina families would have relied on nonprofits for food assistance, creating new unfunded burdens on these nonprofits.
    - The General Assembly again opted not to expand Medicaid under the Affordable Care Act, choosing not to hear two House bills on this subject. One of these bills ([H.B. 858](#)) would have extended Medicaid coverage to North Carolinians with income at or below 133% of the federal poverty level. Under this plan, hospitals would be assessed fees to pay for the state's portion of the cost of Medicaid expansion. The bipartisan Carolina Cares plan ([H.B. 662](#)) was a version of Medicaid expansion that included a work requirement and small premiums for participants. Many North Carolina nonprofits have advocated for the state to adopt some form of Medicaid expansion, since this would enable more of their clients to have health coverage, reducing unfunded burdens on nonprofit service providers.
  - **What to expect in 2018 and beyond:**
    - It is likely that the General Assembly will give final approval to the cost-savings study committee in 2018. Nonprofits will need to provide input to ensure that it does not create the unintended consequence of new unfunded mandates for certain nonprofits.

- It is unlikely that legislators will opt for Medicaid expansion in 2018, although potential changes to federal health care laws – or lack thereof – could affect the General Assembly’s thinking on this issue.
7. **Election laws.** Because nonprofits serve many people who are less likely to turn out to vote – including people with disabilities, low-income citizens, and young people – it is important for nonprofits to share clear and accurate (and nonpartisan!) information about the state’s ever-changing electoral process. An independent redistricting process would lead to more competitive legislative districts throughout the state. This could mean that North Carolina’s members of Congress and the General Assembly would need to be more attentive to the concerns of nonprofits and other constituents.
- **What almost happened in 2017:**
    - The House of Representatives approved legislation ([S.655](#)) to move North Carolina’s primary elections from May to March in even-numbered years, beginning in 2020. The Senate passed a version of the bill that would take effect next year.
  - **What didn’t happen in 2017:**
    - Legislators have not yet redrawn state legislative districts for the 2018 election. Because of a court order, the General Assembly will need to redraw many of these districts later this year.
    - Legislators took no action on a variety of proposals to create a nonpartisan redistricting process. These include: a Senate bill ([S.209](#)) and a bipartisan House bill ([H.B. 200](#)) to create a nonpartisan redistricting commission to draw North Carolina’s congressional and state legislative districts, beginning after the 2020 Census; a House bill ([H.B. 674](#)) to place a constitutional amendment on the November 2017 ballot to create an independent redistricting commission comprised of former judges; another House bill ([H.B. 735](#)) to place a constitutional amendment on the November 2018 ballot to create an independent redistricting commission that would use computer software to draw district lines; and yet another House bill ([H.B. 714](#)) to create a study committee to develop a new redistricting process for 2021 that is “free from unlawful racial or partisan gerrymandering.”
    - Legislators took no action on a bill ([H.B. 700](#)) that would allow North Carolinians to register to vote online. In other states with online voter registration, nonprofits have found it easier for the people they serve to register to vote and to update their voter registration when they move.
  - **What to expect in 2018 and beyond:**
    - Legislators are expected to redraw many of the state legislative lines for the 2018 election during one of their special sessions this fall.
    - Depending on the outcome of the 2018 election, it is possible that legislators will consider a nonpartisan redistricting process during the 2019 legislative session.
    - Legislators are likely to consider a variety of other election-law changes, including new voter ID requirements and revisions to the early voting process, in one of their special sessions later this year or during the 2018 short session. Once the dust settles on the current round of election law changes, the Center will provide updated information on what nonprofits need to know to provide this information to the people they serve.
8. **Other laws and policies affecting nonprofits.**
- **What happened in 2017:**
    - The General Assembly approved a bill ([S.312](#)) that would allow surplus computer equipment from state agencies to be given to nonprofits that rebuild computers to be donated to low-income students and families. Currently, state law allows these computers to be given to a few other types of nonprofits. The bill requires the state to try to donate computers to nonprofits serving low-income students and households in all regions of North Carolina.
    - Legislators approved a bill ([H.B. 589](#)) that, among other things, would require electric utilities to offer rebates to many nonprofits that install solar panels to make their buildings more energy efficient. It is unclear exactly what the process will be for nonprofits to claim these rebates.
    - After months of negotiations, the N.C. Senate and House of Representatives passed, and Governor Roy Cooper signed into law, a bill ([H.B. 142](#)) that repeals the Public Facilities Privacy and Security Act (also known as H.B. 2) that the General Assembly passed in a one-day special session in 2016. Among other things, H.B. 2 had established a statewide nondiscrimination policy that didn’t cover discrimination based on sexual orientation, gender identity, or veteran status, and it prevented local governments from passing a variety of employment and contracting ordinances. H.B. 142 gives the state authority to regulate multi-occupancy restrooms and puts a moratorium on municipal ordinances regulating private employment practices or public accommodations until December 1, 2020. Legislators and Governor Cooper reached the bipartisan compromise despite opposition from LGBTQ advocates and from supporters of H.B. 2.

- The broad business regulatory reform bill ([S.16](#)) approved during the early August 2017 special session includes a provision that requires the Office of Administrative Hearings to create an online clearinghouse for proposed rulemaking by state agencies, creating greater transparency about potential regulations that may be of interest to nonprofits.
- **What almost happened in 2017:**
  - The N.C. Senate and N.C. House of Representatives agreed on legislation ([S.68](#)) to merge state elections, ethics, and lobbying oversight into a new state agency, the Bipartisan State Board of Election of Ethics Enforcement. While this will not affect existing state lobbying laws and regulations, it would mean that nonprofits would no longer file lobbying reports with the N.C. Secretary of State, but rather with the new agency. It is unclear how this will change the process for nonprofits to register and report on their lobbying activities. Governor Roy Cooper had vetoed this bill (his veto was overridden) and has challenged this legislation in court.
  - During its early August special session, the N.C. Senate approved a bill ([H.B. 162](#)) that would prohibit state agencies and commissions from adopting rules that would have an aggregate financial impact of \$100 million or more over a five-year period and that would make it harder for agencies and commissions to adopt rules with an aggregate financial impact of \$10 million or more over a five-year period. This could have the unintended consequence of preventing the state from adopting many health, safety, and environmental regulations that could be important to the work of a wide variety of nonprofits. The N.C. House of Representatives has not yet voted on the final version of this bill.
- **What didn't happen in 2017:**
  - The N.C. House of Representatives narrowly voted not to approve a bill ([H.B. 616](#)) that would give legal protection to “public benefit corporations.” These corporations are organized for public benefit – somewhat similar to 501(c)(3) nonprofits – as well as for business purposes. This Center had supported the bill, since it would have helped socially responsible businesses, including those that collaborate with nonprofits, make significant charitable contributions, and encourage volunteerism among their workers.
  - Legislators did not take action on a proposal ([S.534](#) and [H.B. 645](#)) to allow nonprofit membership associations (including some 501(c)(3) organizations) to offer legal services to their members. Nonprofits could charge separate fees for these legal services, which could be provided by licensed attorneys who are employees, officers, or agents of the nonprofit. The Center, along with the N.C. State Bar, had several concerns with this proposal.
  - The Senate took no action on a bill ([S.623](#)) that would allow local school systems to enter into arrangements with 501(c)(3) nonprofits to use school buses for nonprofit purposes on days when school is not in session.
- **What to expect in 2018 and beyond:**
  - Legislators will inevitably consider a variety of bills with implications for nonprofits. The Center will keep your nonprofit informed about these proposals, will advocate for or against them when it is appropriate, and will let you know if there is a need for your nonprofit to take action.

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