Expanding Charitable Deduction Could Help Small Businesses

The Senate should pass H.B. 886 in 2012 to bring the North Carolina corporate tax deduction for charitable contributions into conformance with federal law could ease tax burdens on small businesses. H.B. 886 passed the House in 2011 with strong bipartisan support.

What is the federal law?

- Under the Internal Revenue Code, businesses can take deductions for their contributions to nonprofits for up to 10% of their net income.
- Businesses can carry forward excess contributions for five years.

What is the current North Carolina law?

- North Carolina’s tax law only allows businesses to take deductions for charitable contributions up to 5% of their net income.
- Businesses can’t carry forward excess contributions on their state taxes.

What would H.B. 886 do?

- Allow North Carolina businesses to take corporate tax deductions for charitable contributions up to 10% of their net income each year.
- Allow North Carolina businesses to carry forward any excess charitable contributions for five years.

How would H.B. 886 help North Carolina businesses?

- It would provide a tax break for small businesses that choose to contribute to their communities through investment in private nonprofits.
- It would make tax planning and tax filing simpler for North Carolina businesses.
- It would particularly help small businesses that want to give back to their community. Unlike larger companies, small businesses typically don’t have separate philanthropic foundations.

How would H.B. 886 benefit North Carolina nonprofits?

- It would help North Carolina nonprofits leverage charitable contributions from private businesses. This is particularly important as all sources of revenue for nonprofits have dropped significantly in the last three years.
- It would send a strong message that North Carolina supports private philanthropy.

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