



Four Major State Policy Issues Affecting North Carolina's Nonprofit Sector

Nonprofit tax exemption

In North Carolina, most 501(c)(3) nonprofits are exempt state income and franchise taxes, sales taxes, and local property taxes. If nonprofits had to pay these state and local taxes, they would have fewer resources available to provide their essential programs and services. Unfortunately, many policymakers assume that limiting or eliminating nonprofit tax exemption is an easy way to raise revenue for the state and local governments without raising taxes on individuals and businesses. Consequently, nonprofits need to be prepared to respond to proposals to limit sales tax refunds, eliminate property tax exemption, and impose other new taxes or fees on charitable organizations. To help nonprofits more fully fulfill their missions, legislators should not only resist the urge to create new taxes and fees on nonprofits, but should work to ensure that existing state and local tax exemption is administered in a way that is clear, consistent, and fair.

Incentives for charitable giving

As a result of the 2017 federal tax law changes, the vast majority of North Carolinians now use the standard deduction on their taxes. This means that most North Carolinians no longer receive tax benefits for their charitable contributions. State legislators would be wise to consider reinstating a non-itemizer credit or deduction on state taxes to encourage *all* North Carolinians to give generously to support the work of charitable nonprofits. Lawmakers also could increase giving by businesses and seniors by aligning the state tax code with federal laws for corporate charitable deductions and for donations made as distributions from individual retirement accounts.

Nonpartisan redistricting

In two years, state lawmakers will decide on the maps that will be used for North Carolina's congressional and state legislative districts for the next decade. With the current system of "gerrymandering," elected officials are largely selected by partisan political insiders and major campaign donors. This means that the most elected officials listen more closely to their partisan political donors than to the constituents whom they ostensibly represent (and to the nonprofits that work closely with these constituents every day). Replacing our current gerrymandered system with an independent, nonpartisan redistricting process would help ensure that nonprofits have a meaningful voice in policy matters related to their missions.

Access to health care

Currently, more than 200,000 North Carolinians have too high of incomes to qualify for Medicaid but don't have enough money to purchase their own private health insurance or to receive federal support to help pay for health coverage. With ever-rising health care costs, these North Carolinians in the "coverage gap" are turning more and more to nonprofits to meet many of their basic needs, such as health care, food, housing, and child care. Over the past two years, policymakers from both major political parties have put forth proposals for North Carolina to begin accepting federal funding to expand access to affordable, quality health coverage to the many North Carolinians who are currently falling through the cracks. Whether it is called "Medicaid expansion," "closing the coverage gap," "Carolina Cares," or something else, nonprofits should work with policymakers to help fix this significant and growing barrier to health care access for many people in our state.

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