



NORTH CAROLINA GENERAL ASSEMBLY

2023 Session

Legislative Fiscal Note

Short Title: Modify/Nonprofits & Charitable Solicitation.
Bill Number: House Bill 741 (Third Edition)
Sponsor(s): Rep. Warren, Rep. Lofton, Rep. Howard, and Rep. Reives

SUMMARY TABLE

FISCAL IMPACT OF to H741, V.3

	<u>FY 2023-24</u>	<u>FY 2024-25</u>	<u>FY 2025-26</u>	<u>FY 2026-27</u>	<u>FY 2027-28</u>
State Impact					
General Fund Revenue	-	-	-	-	-
<u>Less Expenditures</u>	-	-	-	-	-
General Fund Impact	No Estimate Available - Refer to Fiscal Analysis section				

NET STATE IMPACT	No Estimate Available - Refer to Fiscal Analysis section
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FISCAL IMPACT SUMMARY

The bill amends current law to 1) require nonprofits to submit an annual report to the Department of the Secretary of State (Department), 2) adds delinquent reports as grounds for administrative dissolution subject to a \$100 reinstatement fee, 3) establishes a means for foreign nonprofits to incorporate in the State, and 4) sets parameters for exempting certain nonprofits from licensure under Chapter 131F.

With the exception of implementing the new parameters for exempting nonprofits from licensure under G.S. 131F, limited data exists to determine the fiscal impact on the Department and State General Fund nontax revenue (see Fiscal Analysis).

FISCAL ANALYSIS

Section 2

Nonprofit Annual Report

Section 2 requires nonprofit corporations to electronically submit an annual report to the Department. Nonprofit corporations licensed under Article 2 of Chapter 131F of the General Statutes would be deemed to have met the annual reporting requirement if certain criteria are satisfied. Reports would be due by November 15th of each year. If the Department does not receive a report within 60 days of the due date, the report would be considered delinquent and subject to administrative dissolution by the Department. Section 2 also authorizes the Secretary of State

(Secretary) to waive the \$100 fee for reinstatement following an administrative dissolution for delinquent filing until January 1, 2028. This section would become effective January 1, 2026, for annual reports due on or after that date.

Department Operations

IT Upgrades

The projected cost to the Department would include updating the nonprofit corporation database to handle the increased electronic demand related to receiving and sending notices regarding annual reports. The estimated cost for an additional server is \$52,000 nonrecurring in FY 2024-25. The estimated recurring costs to enhance the mass email delivery system to send electronic notices to nonprofits is \$8,500 starting in FY2025-26.

Administrative Costs

Due to an increase in workload demands resulting from the new annual reporting requirement, the projected costs to the Department include 2.0 FTE administrative associate positions to respond to inquiries and provide technical assistance to nonprofits regarding the change in law. This analysis assumes the positions would be needed in the fiscal year prior to the effective date and the fiscal year in which the section becomes effective. The estimated cost is \$111,000 a year for FY 2024-25 and FY 2025-26.

The projected ongoing Department costs related to reviewing submissions, monitoring compliance, and processing administrative dissolutions for delinquent filings include at least 2.0 FTE administrative specialist positions at an estimated annual cost of \$143,000 beginning in FY 2025-26. There is insufficient data to predict how many nonprofits would receive dissolution notices and certificates, as required by G.S. 55A-14-21, thus the total staffing costs and costs to mail dissolution notices and certificates is unknown.

Other Administrative Costs

The Department would plan to conduct two educational mailing campaigns to notify nonprofits of the new annual reporting requirement prior to its effective date. These estimated one-time costs are not included in this analysis, as the bill does not require the Department to conduct these educational mailings.

State General Fund Nontax Revenue

Section 2 establishes that no filing fee would be required to submit an annual report, so there would be no impact on the State General Fund nontax revenue resulting from the new annual reporting requirement.

Section 2 allows the Secretary to waive the \$100 fee for reinstatement following an administrative dissolution for delinquent filing until January 1, 2028. If the Secretary chooses to exercise this fee waiver authority, there would be no impact on State General Fund nontax revenue until after January 1, 2028.

There would be an increase to State General Fund nontax revenue upon collection of the reinstatement fee. As this would be a new cause for administrative dissolution, there is insufficient data to predict how many nonprofits would request reinstatement after being administratively



dissolved for a delinquent report. Therefore, the impact on State General Fund nontax revenue is unknown.

Section 3

Domestication

This section would amend Chapter 55A by adding a new article authorizing and outlining the domestication process for a foreign nonprofit to become a domestic nonprofit, and for a domestic nonprofit to become a foreign nonprofit, if permitted by law of the foreign jurisdiction. This section also sets the following domestication fee schedule:

Table 1: Domestication Fee Schedule	Fee
Articles of Domestication	\$25.00
Articles of Abandonment of Domestication	\$10.00

State General Fund Nontax Revenue and Department Operations

Domestication is not currently authorized in the State and there is no data to predict demand for this service, thus the impact on the State General Fund nontax revenue and the Department's operations is unknown.

Section 7

Licensure Fees

Chapter 131F governs the solicitation activities of charitable organizations and, unless exempted, requires organizations to annually obtain licensure from SOS to conduct such activities. G.S. 131F-8(a) establishes the following annual licensure fee schedule:

Table 2: Annual Licensure Under G.S.131F-8(a)	Fee
Contributions are less than \$100,000	\$50
Contributions are between \$100,000 and \$200,000	\$100
Contributions are over \$200,000	\$200

G.S. 131F-3(3) exempts entities that receive less than \$25,000 in contributions in a calendar year and do not provide compensation to any officer, trustee, organizer, incorporator, fund-raiser, or solicitor from the provisions of Chapter 131F. Section 7 of the bill would expand exemptions by raising the contribution limit under G.S. 131F-3(3) to \$50,000 and authorizing compensation to be paid to an organizer or incorporator who is a licensed attorney or licensed accountant.

Estimated Impact on State General Fund Nontax Revenue

According to the Department, approximately 15-20% of current and in process applicants would shift from requiring licensure to being exempt from Chapter 131F, which would result in 1,200 to 1,500 fewer entities requiring licensure. This would reduce General Fund nontax revenue by \$60,000 to \$75,000 a year, as these entities would no longer pay the \$50 annual licensure fee required of nonexempt entities receiving contributions of less than \$100,000 a year (Table 2).

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

NC DEPARTMENT OF THE SECRETARY OF STATE.

LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

CONTACT INFORMATION

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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Signed copy located in the NCGA Principal Clerk's Offices