

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2025

FILED SENATE
Feb 6, 2025
S.B. 62
PRINCIPAL CLERK

S

D

SENATE BILL DRS35020-MCf-39

Short Title: Nonprofit Fundraising Sales Tax Exemption. (Public)

Sponsors: Senator Burgin (Primary Sponsor).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A SALES TAX EXEMPTION FOR CERTAIN NONPROFIT
3 ENTITIES AND TO EXEMPT CERTAIN FUNDRAISING EVENTS BY NONPROFITS
4 FROM SALES TAX.

5 The General Assembly of North Carolina enacts:

6 SECTION 1. G.S. 105-164.14(b) is repealed.

7 SECTION 2. G.S. 105-164.13 reads as rewritten:

8 "§ 105-164.13. Retail sales and use tax.

9 The sale at retail and the use, storage, or consumption in this State of the following tangible
10 personal property, digital property, and services are specifically exempted from the tax imposed
11 by this Article:

12 ...

13 (52a) Tangible personal property, digital property, and services for use in carrying
14 on the work of the following entities, provided the entity is not owned or
15 controlled by the State:

- 16 a. Hospitals not operated for profit, including hospitals and medical
17 accommodations operated by an authority or other public hospital
18 described in Article 2 of Chapter 131E of the General Statutes.
19 b. An organization that is exempt from income tax under section
20 501(c)(3) of the Code and not classified in the National Taxonomy of
21 Exempt Entities major group areas of (i) Community Improvement
22 and Capacity Building, (ii) Public and Societal Benefit, or (iii) Mutual
23 and Membership Benefit.
24 c. Volunteer fire departments and volunteer emergency medical services
25 squads that are (i) exempt from income tax under the Code, (ii)
26 financially accountable to a city as defined in G.S. 160A-1, a county,
27 or a group of cities and counties, or (iii) both.
28 d. An organization that is a single member LLC that is disregarded for
29 income tax purposes and satisfies all of the following conditions:
30 1. The owner of the LLC is an organization that is exempt from
31 income tax under section 501(c)(3) of the Code.
32 2. The LLC is a nonprofit entity that would be eligible for an
33 exemption under section 501(c)(3) of the Code if it were not
34 disregarded for income tax purposes.
35 3. The LLC is not an organization that would be properly
36 classified in any of the major group areas of the National



Taxonomy of Exempt Entities listed in sub-subdivision b. of this subdivision.

- e. Qualified retirement facilities whose property is excluded from property tax under G.S. 105-278.6A.
- f. A university-affiliated nonprofit organization that procures, designs, constructs, or provides facilities to, or for use by, a constituent institution of The University of North Carolina. For purposes of this sub-subdivision, a nonprofit organization includes an entity exempt from taxation as a disregarded entity of the nonprofit organization.
- g. Over-the-counter drugs purchased for use in carrying out the work of a hospital not listed in one of the sub-subdivisions of this subdivision.

The exemption provided in this subdivision includes indirect sales to a nonprofit entity of digital property and tangible personal property purchased by a real property contractor that becomes a part of or permanently installed or applied to any building or structure that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use by the nonprofit entity for carrying on its nonprofit activities. A sale to fulfill a real property contract with an entity that holds an exemption certificate is exempt to the same extent as if purchased directly by the entity that holds the exemption certificate. A real property contractor that purchases an item allowed an exemption under this subdivision must provide (i) an exemption certificate to the retailer that includes the name of the nonprofit entity holding the exemption certificate, (ii) the exemption certificate number issued to that holder, and (iii) the information required pursuant to G.S. 105-164.28.

The exemption provided in this subdivision does not apply to (i) purchases of electricity, telecommunications service, ancillary service, piped natural gas, video programming, a prepaid meal plan, aviation gasoline and jet fuel, and spirituous liquor or (ii) sales and use tax liability indirectly paid by a nonprofit entity through reimbursement to an authorized person of the entity for tax incurred by the person on an item or transaction subject to tax under Article 5 of this Chapter.

The aggregate annual exemption amount allowed to an entity under this subdivision for a fiscal year may not exceed thirty-one million seven hundred thousand dollars (\$31,700,000) in tax. A real property contractor who pays local sales and use taxes on property qualifying for an exemption under this subdivision on behalf of an entity shall give the entity for whose project the property was purchased a signed statement containing (i) the date the property was purchased, (ii) the type of property purchased, (iii) the project for which the property was used, (iv) if the property was purchased in this State, the county in which it was purchased, and (v) if the property was not purchased in this State, the county in which the property was used. If the property was purchased in this State, the real property contractor shall attach a copy of the sales or purchase receipt to the statement.

...."

SECTION 3. Article 5 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-164.29C. Nonprofit entity exemption process.

(a) Application. – To be eligible for the exemption provided in G.S. 105-164.13(52a), a nonprofit entity must obtain from the Department a sales tax exemption number. The application for exemption must be in the form required by the Secretary, be signed by a person with authority

1 to bind the entity, and contain any information required by the Secretary. The Secretary must
2 assign a sales tax exemption number to a nonprofit entity that submits a proper application.

3 (b) Liability. – A nonprofit entity that does not use the items purchased with its exemption
4 number must pay the tax that should have been paid on the items purchased, plus interest
5 calculated from the date the tax would otherwise have been paid."

6 **SECTION 4.** G.S. 105-467(b) reads as rewritten:

7 "(b) Exemptions and Refunds. – The State exemptions and exclusions contained in Article
8 5 of Subchapter I of this Chapter, except for the exemption for food in G.S. 105-164.13B, apply
9 to the local sales and use tax authorized to be levied and imposed under this Article. The State
10 refund provisions contained in G.S. 105-164.14 and G.S. 105-164.14A apply to the local sales
11 and use tax authorized to be levied and imposed under this Article. A refund of an excessive or
12 erroneous State sales tax collection allowed under G.S. 105-164.11 and a refund of State sales
13 tax paid on a rescinded sale or cancelled service contract under G.S. 105-164.11A apply to the
14 local sales and use tax authorized to be levied and imposed under this Article. The aggregate
15 annual local ~~refund~~ exemption amount allowed an entity under ~~G.S. 105-164.14(b)~~
16 G.S. 105-164.13(52a) for the State's fiscal year may not exceed thirteen million three hundred
17 thousand dollars (\$13,300,000).

18 Except as provided in this subsection, a taxing county may not allow an exemption, exclusion,
19 or refund that is not allowed under the State sales and use tax. A local school administrative unit
20 and a joint agency created by interlocal agreement among local school administrative units
21 pursuant to G.S. 160A-462 to jointly purchase food service-related materials, supplies, and
22 equipment on their behalf is allowed an annual refund of sales and use taxes paid by it under this
23 Article on direct purchases of tangible personal property and services. Sales and use tax liability
24 indirectly incurred by the entity as part of a real property contract for real property that is owned
25 or leased by the entity and is a capital improvement for use by the entity is considered a sales or
26 use tax liability incurred on direct purchases by the entity for the purpose of this subsection. The
27 refund allowed under this subsection does not apply to purchases of electricity,
28 telecommunications service, ancillary service, piped natural gas, video programming, or a
29 prepaid meal plan. A request for a refund is due in the same time and manner as provided in
30 G.S. 105-164.14(c). Refunds applied for more than three years after the due date are barred."

31 **SECTION 5.** G.S. 105-236(a)(5a) reads as rewritten:

32 "(5a) Misuse of Exemption Certificate or Affidavit of Capital Improvement. – For
33 misuse of an exemption certificate or affidavit of capital improvement by a
34 purchaser, the Secretary shall assess a penalty equal to two hundred fifty
35 dollars (\$250.00). An exemption certificate is a certificate issued by the
36 Secretary that authorizes a retailer to sell an item to the holder of the certificate
37 and either collect tax at a preferential rate or not collect tax on the sale.
38 Examples of an exemption certificate include a certificate of exemption, a
39 direct pay certificate, and a conditional exemption certificate. Misuse under
40 this subdivision includes improper use of a certificate of exemption issued to
41 a nonprofit entity pursuant to G.S. 105-164.29C for direct and indirect
42 purchases by the entity or another person. An affidavit of capital improvement
43 substantiates that a contract, or a portion of work to be performed to fulfill a
44 contract, is to be taxed for sales and use tax purposes as a real property
45 contract."

46 **SECTION 6.** G.S. 105-164.4G(e) reads as rewritten:

47 "(e) Exceptions. – The tax imposed by this section does not apply to the following:

48 ...

49 (2) Tuition, registration fees, or charges to attend instructional seminars,
50 conferences, or workshops for educational purposes, notwithstanding that

1 entertainment activity may be offered as an ancillary purpose of an event listed
2 in this subdivision.
3 (2a) Events held by a nonprofit entity exempt from tax under Article 4 of this
4 Chapter solely for fundraising purposes for the entity, notwithstanding that
5 entertainment activity may be offered as an ancillary purpose of the event.

6"

7 **SECTION 7.** Sections 1 through 5 of this act become effective October 1, 2025, and
8 apply to sales and purchases made on or after that date. Section 6 of this act becomes effective
9 July 1, 2025, and applies to admission charges for entertainment activities held on or after that
10 date. The remainder of this act is effective when it becomes law. This act does not affect the
11 rights or liabilities of the State, a taxpayer, or another person arising under a statute amended or
12 repealed by this act before the effective date of its amendment or repeal, nor does it affect the
13 right to any refund or credit of a tax that accrued under the amended or repealed statute before
14 the effective date of its amendment or repeal.