



NORTH CAROLINA GENERAL ASSEMBLY

2025 Session

Fiscal Analysis Memorandum

CONFIDENTIAL

Requestor: Sen. Alexander
Analyst(s): Katherine Tamer
RE: Modify Nonprofit Corp. Act/Charitable Org.

SUMMARY TABLE

FISCAL IMPACT OF H.B.517, V.2

	<u>FY 2026-27</u>	<u>FY 2027-28</u>	<u>FY 2028-29</u>	<u>FY 2029-30</u>	<u>FY 2030-31</u>
State Impact					
General Fund Revenue	\$2,190,750	\$2,476,500	\$2,762,250	\$3,048,000	\$3,333,750
<u>Less Expenditures</u>	<u>\$545,244</u>	<u>\$204,374</u>	<u>\$213,152</u>	<u>\$221,403</u>	<u>\$232,540</u>
General Fund Impact	\$1,645,506	\$2,272,126	\$2,549,098	\$2,826,597	\$3,101,210

NET STATE IMPACT	\$1,645,506	\$2,272,126	\$2,549,098	\$2,826,597	\$3,101,210
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FISCAL IMPACT SUMMARY

Parts II and III of the Proposed Committee Substitute (PCS) to the Second Edition of House Bill 517, Modify Nonprofit Corp. Act/Charitable Org., have potential impacts to the General Fund. Part II may generate about \$2 million in receipts but would require an initial cost of \$545,000 NR and \$200,000 R for the Secretary of State (SOS) to administer. Part III will generate receipts for the General Fund which cannot be estimated at this time.

FISCAL ANALYSIS

Part II: Nonprofit Annual Report Requirements

Initial Implementation Costs

Part II of H.B. 517 would require nonprofit operations (NPOs) conducting business in North Carolina to submit annual reports detailing where the corporation is incorporated and providing contact information for all principal officers to SOS. If reports are not received within 60 days of the due date, the report would be presumed delinquent and could be grounds for the administrative dissolution of the corporation, thus ending the NPO's legal status in the State.

The initial implementation of H.B. 517 will require SOS to notify existing NPOs in the State of this Annual Report which has not been in place since FY 1994-95. The current database maintained by SOS includes 177,959 NPOs, many of which may have inaccurate contact information or may no longer be operating since NPOs are not currently required to report internal changes to SOS. SOS

anticipates a high level of one-time Dissolution Notices and Dissolution Certificates will be issued by mail after the initial Annual Report is due in November of 2027. Mailing each NPO a notice of the legal changes requiring an Annual Report will cost \$138,808 (\$0.78 for each metered letter times 177,959 NPOs). A second mailer, reminding NPOs of the Annual Report due date, will cost, at most, an additional \$115,673 (\$0.65 for each postcard times 177,959 NPOs). It is likely that this amount may be reduced once contact information and dissolved NPOs are removed from the list. For this analysis, it is assumed that about one-third (60,000) of the existing NPO database includes NPOs who are no longer operating, SOS will need to mail both a Notice of Dissolution postcard (\$0.65) and a Dissolution Certificate letter (\$0.78) for a total cost of \$85,800 (60,000 NPOs times \$0.65 plus 60,000 NPOs times \$0.78).

The process of improving the database, programming a new filing option online, and updating the Department’s mass email delivery system will require an additional time-limited IT position for the first year. The cost of an 11-month contract with the Department of Information Technology is \$115,093. SOS will also need temporary employees to update the NPO database with correct contact information and remove NPOs who are no longer active, which will cost \$89,870 for 11 months. Below is a table summarizing the nonrecurring costs of implementing H.B. 517.

Table 1: Nonrecurring Costs of Implementing H.B. 517

#	Item	FY 2026-27
1	Initial Educational Mailer	\$138,808
2	Annual Report Due Date Reminder	\$115,673
3	Notice of Dissolution	\$39,000
4	Dissolution Certificate	\$46,800
5	Temporary IT Position	\$115,093
6	Temporary Administrative Specialists	\$89,870
Total		\$545,244

Recurring Costs Beginning FY 2027-28

After the initial year, SOS will need to mail Annual Report Notices, ongoing Dissolution Notices, and ongoing Dissolution Certificates. This analysis assumes that one-third of the current NPO list maintained by SOS will be dissolved, leaving roughly 115,000 NPOs (177,959 minus 60,000 equals 117,959). Based on historic data, SOS estimates that an additional 15,000 NPOs may register with the State each year. In total, about 130,000 NPOs (115,000 existing and 15,000 new) may need to submit an Annual Report in FY 2027-28.

New NPOs will receive mailed Annual Report notices costing \$11,700 in mail based on current rates (\$0.78 times 15,000 new NPOs). Subsequent Annual Report reminders may be sent electronically; however, Dissolution Notices and Dissolution Certificates must be mailed to the last known address. Based on the current rate of Dissolution Notices sent to corporations, SOS predicts about 20% of the NPOs may require a Dissolution Notice, costing \$16,900 (\$0.65 times 26,000). Of those, about half are expected to receive Dissolution Certificates, which will cost \$10,140 (\$0.78 times 13,000).

SOS will need additional Administrative Specialist I positions to process Annual Reports, distribute mailing related to dissolutions, and provide customer service to NPOs. Currently, SOS has 12

Administrative Specialists and 7 temporary employees who processed 837,100 Annual Reports for businesses registered in 2025, which is roughly 45,000 reports per person (837,100 divided by 19 positions). At this rate, based on the estimated 130,000 NPO reports, SOS would need an additional three positions (130,000 divided by 45,000). SOS says they will need two additional Administrative Specialist I positions at a salary of \$54,962 each, costing a total of \$165,634 with benefits in FY 2027-28. Fiscal staff believes additional positions or temporary staffing may be necessary once the program is fully established given the number of employees who currently administer the business registrations and annual reports for corporations. The following table summarizes the recurring costs of implementing H.B. 517 beginning in FY 2027-28 and accounting for growth through FY 2030-31.

Table 2: Recurring Costs of Implementing H.B. 517

#	Item	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
1	Initial Annual Report Notice	\$11,700	\$11,700	\$11,700	\$11,700
2	Notice of Dissolution	\$16,900	\$18,850	\$20,800	\$24,050
3	Dissolution Certificate	\$10,140	\$11,310	\$12,480	\$14,430
4	2 Administrative I Specialists	\$165,634	\$171,292	\$176,423	\$182,360
Total		\$204,374	\$213,152	\$221,403	\$232,540

General Fund Receipts

Part II of H.B. 517 would attach fees to NPO Annual Report filings: \$25 to submit by paper and \$18 to submit electronically. Currently, about 85% of businesses choose to file their Annual Reports online, and 15% choose to file via paper. The following table estimates receipts for NPO Annual Reports following this same trend and allowing for 15,000 more NPOs to register each year.

Table 3: Estimated NPO Annual Reports Receipts

#	Year	# of NPOs	Online Submissions (\$18)	Paper Submissions (\$25)	Total (Online + Paper)
1	FY 2026-27	115,000	\$1,759,500	\$431,250	\$2,190,750
2	FY 2027-28	130,000	\$1,989,000	\$487,500	\$2,476,500
3	FY 2028-29	145,000	\$2,218,500	\$543,750	\$2,762,250
4	FY 2029-30	160,000	\$2,448,000	\$600,000	\$3,048,000
5	FY 2030-31	175,000	\$2,677,500	\$656,250	\$3,333,750

Until January 1, 2029, SOS may waive fees for NPOs seeking to be reinstated following an administrative dissolution. This waiver could potentially reduce the amount of receipts for the first three fiscal years. All of the funds collected by SOS will revert to the General Fund at the end of each fiscal year.

Part III: Domestication Authorization

Part III of H.B. 517 would establish domestication procedures and fees for a foreign NPO to become a domestic nonprofit corporation, and a domestic NPO to become a foreign nonprofit corporation. The fees are: \$25 for all Articles of Domestication and \$10 for all Articles of Abandonment of Domestication. SOS would collect these fees which will revert to the General Fund at the end of each

fiscal year. This is a new type of filing that cannot be estimated from existing data, for that reason, no estimate is available.

TECHNICAL CONSIDERATIONS

N/A.

DATA SOURCES

DEPARTMENT OF SECRETARY OF STATE

FISCAL ANALYSIS MEMORANDUM – PURPOSE AND LIMITATIONS

This document is a fiscal analysis of a bill, draft bill, amendment, committee substitute, or conference committee report that is confidential under Chapter 120 of the General Statutes. 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. This document is not an official fiscal note. If a formal fiscal note is requested, please email your request to the Fiscal Research Division at FiscalNoteRequests@ncleg.net or call (919) 733-4910.

