



# HOUSE BILL 732: Nonprofit Mergers/Incr.Charit.Solic.Exempts.

2019-2020 General Assembly

<b>Committee:</b>	House Finance. If favorable, re-refer to Rules, Calendar, and Operations of the House	<b>Date:</b>	April 30, 2019
<b>Introduced by:</b>	Reps. Lofton, Howard, McGrady, Reives	<b>Prepared by:</b>	Greg Roney Staff Attorney
<b>Analysis of:</b>	PCS to First Edition H732-CSTMf-8		

**OVERVIEW:** *The Proposed Committee Substitute (PCS) for House Bill 732 would:*

- Allow a nonprofit corporation to merge with a limited liability company (LLC) if the LLC is treated for tax purposes as part of a nonprofit corporation.
- Allow a nonprofit corporation to merge with a nonprofit association.
- Increase the amount of contributions allowed before a charitable organization must obtain a charitable solicitation license from \$25,000 to \$50,000 (i.e., organizations could receive up to \$50,000 before a license is required).

[As introduced, this bill was identical to S647, as introduced by Sens. Woodard, Britt, J. Jackson, which is currently in Senate Rules and Operations of the Senate.]

**CURRENT LAW:** Under G.S. 131F-5, organizations that solicit contributions in the State must obtain a license from the NC Secretary of State. G.S. 131F-5 contains a list of exemptions from the licensure requirement including: Any person who receives less than \$25,000 in contributions in any calendar year and does not provide compensation to any officer, trustee, organizer, incorporator, fund raiser, or solicitor.

**BILL ANALYSIS:** The PCS for House Bill 732 would authorize a nonprofit corporation to merge with two additional entities: a limited liability company (LLC) if the LLC is treated for tax purposes as part of a nonprofit corporation and a nonprofit association.

The PCS for House Bill 732 would also exempt additional charitable organizations from the requirement to obtain a charitable solicitation license from the NC Secretary of State. The bill increases the maximum amount of contributions allowed before a license is required. Currently, a charitable organization must obtain a license if the organization receives more than \$25,000 in contributions. House Bill 732 would increase the threshold to \$50,000.

The exemption from obtaining a charitable solicitation license in G.S. 131F-5 is further expanded by allowing compensation to be paid to an organizer or incorporator who is a licensed attorney or a licensed accountant.

By statute, the following information is now evidence that an organization receives less than \$50,000 in contributions:

- IRS Form 990 or 990 EZ.
- Current-year budget approved by its governing board and that includes projected revenue and projected expenses.

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- Financial form developed by the NC Secretary of State.
- Other evidence satisfactory to the NC Secretary of State.

**EFFECTIVE DATE:** The PCS for House Bill 732 would be effective when law.