2025-2026 General Assembly

HOUSE BILL 517: Modify Nonprofit Corporations Act/Charitable Organizations, Part VI: Further Authorize and Clarify Conversion

Analysis of: S.L. 2026-52, Part VI

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Part VI of S.L. 2026-52 (House Bill 517) authorizes business entities that are not domestic nonprofit corporations to convert to domestic nonprofit corporations if the following conditions are met:

- The conversion is allowed by the laws of the state or country governing the organization and internal affairs of the converting business entity.
- The converting business entity is in compliance with the State's statutory requirements.

Converting business entities must approve a written plan of conversion that includes specified information, including the name of the converting business entity, its type of business entity, and the state or country whose laws govern its organization and internal affairs. The plan of conversion must be approved in accordance with the laws of the state or country governing the organization and internal affairs of the converting business entity. Articles of conversion must be filed with the North Carolina Secretary of State.

The following apply once the conversion to a domestic nonprofit corporation occurs:

- The converting business entity ceases its prior form of organization and continues in existence as the resulting domestic nonprofit corporation.
- The title to all real estate and other property owned by the converting business entity continues vested in the resulting domestic nonprofit corporation without transfer, reversion, or impairment.
- All rights, privileges, immunities, powers, and purposes of the converting business entity remain vested in the resulting domestic nonprofit corporation.
- All debts, obligations, and other liabilities of the converting business entity continue as debts, obligations, and other liabilities of the resulting domestic nonprofit corporation.
- A proceeding pending by or against the converting business entity can be continued as if the conversion did not occur. The name of the resulting domestic nonprofit corporation can be substituted for the name of the converting business entity in any pending action or proceeding.
- The interests and obligations in the converting business entity are converted to eligible interests or other securities, rights to acquire interests or other securities, obligations, cash, or other property of the resulting domestic corporation in accordance with the plan of conversion.
- All of the following apply to the resulting domestic nonprofit corporation: (i) it is incorporated under and subject to the North Carolina Nonprofit Corporation Act; (ii) it converts from the converting business entity into its new form of organization without interruption; and (iii) it is

deemed to have been incorporated on the date that the converting entity was originally incorporated or organized.

Additionally, this Part adds requirements to the plan of conversion that charitable or religious organizations must approve to convert to domestic limited liability companies, including that the plan be approved by the board of directors, voting members, and other parties, if applicable.

This Part becomes effective October 1, 2026, and applies to plans of conversion approved on or after that date.