

GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL DRS45487-Nif-174B

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

Sponsors: Senators Burgin, Corbin, and McInnis (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO PROVIDE A SALES TAX EXEMPTION FOR CERTAIN NONPROFIT
3 ENTITIES, TO EXEMPT CERTAIN FUNDRAISING EVENTS BY NONPROFITS FROM
4 SALES TAX, TO EXEMPT DIAPERS FROM SALES TAX, AND TO MODIFY THE
5 OWNERSHIP REQUIREMENTS OF REAL AND PERSONAL PROPERTY USED FOR
6 CHARITABLE PURPOSES.

7 The General Assembly of North Carolina enacts:

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 G.S. 105-164.14(b) is repealed.

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

10 "§ 105-164.13. Retail sales and use tax.

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

14 ...

15 (13d) Sales of diapers or incontinence ~~underpads on prescription by an enrolled~~
16 ~~State Medicaid provider for use by beneficiaries of the State Medicaid~~
17 ~~program when the provider is reimbursed by the State Medicaid program or a~~
18 ~~Medicaid managed care organization, as defined in 42 U.S.C. §~~
19 ~~1396b(m).underpads.~~

20 ...

21 (52a) Tangible personal property, digital property, and services for use in carrying
22 on the work of the following entities, provided the entity is not owned or
23 controlled by the State:

24 a. Hospitals not operated for profit, including hospitals and medical
25 accommodations operated by an authority or other public hospital
26 described in Article 2 of Chapter 131E of the General Statutes.

27 b. An organization that is exempt from income tax under section
28 501(c)(3) of the Code and not classified in the National Taxonomy of
29 Exempt Entities major group areas of (i) Community Improvement
30 and Capacity Building, (ii) Public and Societal Benefit, or (iii) Mutual
31 and Membership Benefit.

32 c. Volunteer fire departments and volunteer emergency medical services
33 squads that are (i) exempt from income tax under the Code, (ii)
34 financially accountable to a city, as defined in G.S. 160A-1, a county,
35 or a group of cities and counties, or (iii) both.



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- 1 d. An organization that is a single member LLC that is disregarded for
2 income tax purposes and satisfies all of the following conditions:
3 1. The owner of the LLC is an organization that is exempt from
4 income tax under section 501(c)(3) of the Code.
5 2. The LLC is a nonprofit entity that would be eligible for an
6 exemption under section 501(c)(3) of the Code if it were not
7 disregarded for income tax purposes.
8 3. The LLC is not an organization that would be properly
9 classified in any of the major group areas of the National
10 Taxonomy of Exempt Entities listed in sub-subdivision b. of
11 this subdivision.
12 e. Qualified retirement facilities whose property is excluded from
13 property tax under G.S. 105-278.6A.
14 f. A university-affiliated nonprofit organization that procures, designs,
15 constructs, or provides facilities to, or for use by, a constituent
16 institution of The University of North Carolina. For purposes of this
17 sub-subdivision, a nonprofit organization includes an entity exempt
18 from taxation as a disregarded entity of the nonprofit organization.
19 g. Over-the-counter drugs purchased for use in carrying out the work of
20 a hospital not listed in one of the sub-subdivisions of this subdivision.

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

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

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

1 purchased in this State, the real property contractor shall attach a copy of the
2 sales or purchase receipt to the statement.

3 "

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

6 **"§ 105-164.29C. Nonprofit entity exemption process.**

7 (a) Application. – To be eligible for the exemption provided in G.S. 105-164.13(52a), a
8 nonprofit entity must obtain from the Department a sales tax exemption number. The application
9 for exemption must be in the form required by the Secretary, be signed by a person with authority
10 to bind the entity, and contain any information required by the Secretary. The Secretary must
11 assign a sales tax exemption number to a nonprofit entity that submits a proper application.

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

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

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

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

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

41 "(5a) Misuse of Exemption Certificate or Affidavit of Capital Improvement. – For
42 misuse of an exemption certificate or affidavit of capital improvement by a
43 purchaser, the Secretary shall assess a penalty equal to two hundred fifty
44 dollars (\$250.00). An exemption certificate is a certificate issued by the
45 Secretary that authorizes a retailer to sell an item to the holder of the certificate
46 and either collect tax at a preferential rate or not collect tax on the sale.
47 Examples of an exemption certificate include a certificate of exemption, a
48 direct pay certificate, and a conditional exemption certificate. Misuse under
49 this subdivision includes improper use of a certificate of exemption issued to
50 a nonprofit entity pursuant to G.S. 105-164.29C for direct and indirect
51 purchases by the entity or another person. An affidavit of capital improvement

1 substantiates that a contract, or a portion of work to be performed to fulfill a
 2 contract, is to be taxed for sales and use tax purposes as a real property
 3 contract."

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

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

6 ...

7 (2) Tuition, registration fees, or charges to attend instructional seminars,
 8 conferences, or workshops for educational purposes, notwithstanding that
 9 entertainment activity may be offered as an ancillary purpose of an event listed
 10 in this subdivision.

11 (2a) Events held by a nonprofit entity exempt from tax under Article 4 of this
 12 Chapter solely for fundraising purposes for the entity, notwithstanding that
 13 entertainment activity may be offered as an ancillary purpose of the event.

14"

15 **SECTION 7.** G.S. 105-278.6 reads as rewritten:

16 **"§ 105-278.6. Real and personal property used for charitable purposes.**

17 (a) Use. – Real and personal property owned by an entity not organized or operated
 18 for profit and listed in this section is exempt from taxation if (i) as to real property, it is actually
 19 and exclusively occupied and used by the owner for charitable purposes and (ii) as to personal
 20 property, it is entirely and completely used by the owner for charitable purposes.

21 (1) A Young Men's Christian Association or similar ~~organization;~~organization.

22 (2) A home for the aged, sick, or ~~infirm;~~infirm.

23 (3) An orphanage or similar ~~home;~~home.

24 (4) A Society for the Prevention of Cruelty to ~~Animals;~~Animals.

25 (5) A reformatory or correctional ~~institution;~~institution.

26 (6) A monastery, convent, or ~~numery;~~numnery.

27 (7) A ~~nonprofit,~~ life-saving, first aid, or rescue squad ~~organization;~~organization.

28 (8) ~~A nonprofit~~ An organization providing housing for for, or respite care for,
 29 individuals or families with low or moderate incomes.

30 ~~shall be exempted from taxation if: (i) As to real property, it is actually and exclusively occupied~~
 31 ~~and used, and as to personal property, it is entirely and completely used, by the owner for~~
 32 ~~charitable purposes; and (ii) the owner is not organized or operated for profit.~~

33 (b) Purpose. – A charitable purpose within the meaning of this section is one that has
 34 humane and philanthropic objectives; it is an activity that benefits humanity or a significant rather
 35 than limited segment of the community without expectation of pecuniary profit or reward. The
 36 humane treatment of animals is also a charitable purpose.

37 (c) Incidental Patronage. – The fact that a building or facility is incidentally available to
 38 and patronized by the general public, so long as there is no material amount of business or
 39 patronage with the general public, shall not defeat the exemption granted by this section.

40 (d) Partial Use. – Notwithstanding the exclusive-use requirements of this section, if part
 41 of a property that otherwise meets the section's requirements is used for a purpose that would
 42 require exemption under subsection (a), above, if the entire property were so used, the valuation
 43 of the part so used shall be exempted from taxation.

44 (e) Housing Exceptions. – Real property held by an organization described in subdivision
 45 (a)(8) for a charitable purpose under this section qualifies for the benefit provided by this section
 46 if one of the following is true:

47 (1) It is held as a future site for housing for individuals or families with low or
 48 moderate ~~incomes~~ incomes. Real property may be classified under this ~~section~~
 49 subdivision for no more than 10 years. The taxes that would otherwise be due
 50 on real property exempt under this ~~subsection~~ subdivision shall be a lien on
 51 the property as provided in G.S. 105-355(a). The taxes shall be carried

1 forward in the records of the taxing unit as deferred taxes. The deferred taxes
2 are due and payable in accordance with G.S. 105-277.1F when the property
3 loses its eligibility for deferral as a result of a disqualifying event. A
4 disqualifying event occurs when the property was not used for low- or
5 moderate-income housing within 10 years from the first day of the fiscal year
6 the property was classified under this ~~subsection~~-subdivision. In addition to
7 the provisions in G.S. 105-277.1F, all liens arising under this subdivision are
8 extinguished when the property is used for low- or moderate-income housing
9 within the time period allowed under this ~~subsection~~-subdivision.

10 (2) The real property is leased, rather than owned, by the organization as a tenant
11 with the organization or owner providing a copy of the lease agreement and
12 certifying that the lease agreement requires the organization to use the real
13 property for housing that would otherwise qualify under this section if the
14 organization owned the real property."

15 **SECTION 8.** Sections 1 through 5 of this act become effective October 1, 2026, and
16 apply to sales and purchases made on or after that date. Section 6 of this act becomes effective
17 July 1, 2026, and applies to admission charges for entertainment activities held on or after that
18 date. Section 7 of this act is effective for taxes imposed for taxable years beginning on or after
19 July 1, 2026. The remainder of this act is effective when it becomes law. This act does not affect
20 the rights or liabilities of the State, a taxpayer, or another person arising under a statute amended
21 or repealed by this act before the effective date of its amendment or repeal, nor does it affect the
22 right to any refund or credit of a tax that accrued under the amended or repealed statute before
23 the effective date of its amendment or repeal.