

North Carolina Nonprofits and State Taxes

Estimated state tax expenditures benefitting North Carolina nonprofits

Tax expenditure	Amount
State income tax exemption	\$58,000,000 ¹
Franchise tax exemption	\$120,200,000 ²
Sales tax refunds	\$279,300,000 ³
Sales tax exemptions	\$2,200,000 ⁴
State charitable deduction	\$230,600,000 ⁵
State corporate charitable deduction	\$6,800,000 ⁶
Total	\$697,100,000

Estimated taxes and fees paid by nonprofits to the State of North Carolina

Tax or fee	Amount
State income tax - employee withholding	\$635,000,000 ⁷
Sales tax collected	\$293,000,000 ⁸
State unrelated business income tax	\$800,000 ⁹
State unemployment tax	\$96,000,000 ¹⁰
Charitable solicitation licenses	\$1,100,000 ¹¹
Hospital Medicaid assessments	\$129,000,000 ¹²
Total	\$1,154,900,000

¹ Based on national data compiled by Jon Pratt in Nonprofit Quarterly article. Forty-two states have corporate income taxes, and the average rate is 6%, which is twice the North Carolina rate, so North Carolina data was extrapolated accordingly.

² North Carolina Biennial Tax Expenditure Report (2019).

³ North Carolina Biennial Tax Expenditure Report (2019).

⁴ North Carolina Biennial Tax Expenditure Report (2019).

⁵ North Carolina Biennial Tax Expenditure Report (2019).

⁶ North Carolina Biennial Tax Expenditure Report (2019).

⁷ Based on nonprofit employment data from the second quarter of 2019 compiled by the Division of Employment Security of the NC Department of Commerce upon request of the North Carolina Center for Nonprofits.

⁸ Based on North Carolina sales tax collections with an estimate that nonprofits collect 4% of the state's sales and use taxes.

⁹ Based on IRS data extrapolating the North Carolina corporate income tax rate of 3% for 2018.

¹⁰ Based on payroll data noted in footnote 7 with the estimate that nonprofits pay an average of 0.07949% SUTA rate.

¹¹ Based on data from the NC Secretary of State.

¹² Based on a fiscal note from February 18, 2011 for S.32 of the 2011-12 legislative session with an estimate that nonprofit hospital pay 60% of the hospital Medicaid assessments in North Carolina.