

**GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2009**

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HOUSE DRH30235-ME-59 (3/19)

Short Title: Limit Nonprofit Executive Compensation. (Public)

Sponsors: Representative Allred.

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO LIMIT THE COMPENSATION OF NONPROFIT EXECUTIVES BY
3 DENYING THE SALES TAX REFUND TO NONPROFITS THAT PAY THEIR
4 EXECUTIVES FIVE HUNDRED THOUSAND DOLLARS OR MORE PER YEAR.

5 The General Assembly of North Carolina enacts:

6 **SECTION 1.** G.S. 105-164.14(b) reads as rewritten:

7 "**§ 105-164.14. Certain refunds authorized.**

8 ...

9 (b) Nonprofit Entities and Hospital Drugs. – A nonprofit entity included in the
10 following list is allowed a semiannual refund of sales and use taxes paid by it under this Article
11 on direct purchases of tangible personal property and services, other than electricity,
12 telecommunications service, and ancillary service, for use in carrying on the work of the
13 nonprofit entity:

- 14 (1) Hospitals not operated for profit, including hospitals and medical
15 accommodations operated by an authority created under the Hospital
16 Authorities Law, Article 2 of Chapter 131E of the General Statutes.
- 17 (2) An organization that (i) does not compensate any officer or executive five
18 hundred thousand dollars (\$500,000) or more per year and (ii) is exempt
19 from income tax under section 501(c)(3) of the Code, other than an
20 organization that is properly classified in any of the following major group
21 areas of the National Taxonomy of Exempt Entities:
- 22 a. Community Improvement and Capacity Building.
23 b. Public and Societal Benefit.
24 c. Mutual and Membership Benefit.
- 25 (3) Repealed by Session Laws 2008-107, s. 28.22(a), effective July 1, 2008, and
26 applicable to purchases made on or after that date.
- 27 (4) Qualified retirement facilities whose property is excluded from property tax
28 under G.S. 105-278.6A.
- 29 (5) A university affiliated nonprofit organization that procures, designs,
30 constructs, or provides facilities to, or for use by, a constituent institution of
31 The University of North Carolina. For purposes of this subdivision, a
32 nonprofit organization includes an entity exempt from taxation as a
33 disregarded entity of the nonprofit organization.

34 Sales and use tax liability indirectly incurred by a nonprofit entity on building materials,
35 supplies, fixtures, and equipment that become a part of or annexed to any building or structure



1 that is owned or leased by the nonprofit entity and is being erected, altered, or repaired for use
2 by the nonprofit entity for carrying on its nonprofit activities is considered a sales or use tax
3 liability incurred on direct purchases by the nonprofit entity.

4 A hospital that is not allowed a refund under this subsection of sales and use taxes paid on
5 its direct purchases of tangible personal property is allowed a semiannual refund of sales and
6 use taxes paid by it on medicines and drugs purchased for use in carrying out its work.

7 The refunds allowed under this subsection for certain nonprofit entities and for medicines
8 and drugs purchased by hospitals do not apply to organizations, corporations, and institutions
9 that are owned and controlled by the United States, the State, or a unit of local government,
10 except hospital facilities created under Article 2 of Chapter 131E of the General Statutes and
11 nonprofit hospitals owned and controlled by a unit of local government that elect to receive
12 semiannual refunds under this subsection instead of annual refunds under subsection (c).

13 A request for a refund must be in writing and must include any information and
14 documentation required by the Secretary. A request for a refund for the first six months of a
15 calendar year is due the following October 15; a request for a refund for the second six months
16 of a calendar year is due the following April 15."

17 **SECTION 2.** This act becomes effective July 1, 2009, and applies to purchases
18 made on or after that date.