

GENERAL ASSEMBLY OF NORTH CAROLINA
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SENATE BILL DRS35216-MC-169

Short Title: Put Money to Work in Communities Act. (Public)

Sponsors: Senators Chitlik, Lowe, and Bradley (Primary Sponsors).

Referred to:

1 A BILL TO BE ENTITLED
2 AN ACT TO ENACT THE PUT MONEY TO WORK IN COMMUNITIES ACT TO
3 INCREASE AND INCENTIVIZE PHILANTHROPIC INVESTMENT IN ALL 100
4 COUNTIES BY PROVIDING A TAX CREDIT FOR CHARITABLE GIFTS BY
5 TAXPAYERS TO ENDOWED FUNDS OF COMMUNITY FOUNDATIONS.

6 The General Assembly of North Carolina enacts:

7 **SECTION 1.** Part 1 of Article 4 of Chapter 105 of the General Statutes is amended
8 by adding a new section to read:

9 **"§ 105-130.34A. Credit to endow qualified community foundations.**

10 (a) Purpose, Definitions. – The purpose of this section is to promote philanthropic
11 investments in local community development programs and activities and to enhance the quality
12 of life for residents of the State by providing a tax credit for charitable gifts made by taxpayers
13 to endowed funds held by community foundations in North Carolina. The following definitions
14 apply in this section:

15 (1) Endowed fund. – A fund, including donor-advised funds, community
16 foundation affiliate funds, field-of-interest funds, agency funds, and
17 designated organizational funds, held by a qualified community foundation
18 that (i) benefits charitable causes in the State and (ii) is intended to exist in
19 perpetuity.

20 (2) Endowment gift. – An irrevocable contribution to an endowed fund held by a
21 qualified community foundation.

22 (3) Qualified community foundation. – An entity exempt from federal income
23 taxation under section 501(c) of the Code that meets all of the following
24 requirements:

25 a. It is organized by articles of incorporation in this State to serve the
26 State, one or more counties or municipalities in the State, or both.

27 b. It is comprised of permanent, component funds established by multiple
28 separate donors for the purpose of supporting broad-based charitable
29 interests that solely benefit some or all of the residents of the State.
30 Support, as required in this sub-subdivision, means providing grants
31 to at least two unaffiliated, tax-exempt organizations.

32 c. The board of directors is comprised of community representatives and
33 independent from another entity.

34 d. It complies with the guidelines established by the Department,
35 including compliance with reporting, data privacy, and certification.



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(4) Qualified contribution. – An endowment gift to a qualified community foundation for an endowed fund that qualifies as a charitable gift under section 170(c) of the Code.

(b) Credit. – Subject to the limitations in this section, a C Corporation that makes a qualified contribution of at least one thousand dollars (\$1,000) to an endowed fund of a qualified community foundation during the taxable year is allowed a credit against the tax imposed by this Part equal to twenty-five percent (25%) of the qualified contribution. The aggregate amount of credit allowed to a corporation in a taxable year under this section for one or more qualified donations made during the taxable year, whether made directly or indirectly as an owner of a pass-through entity, may not exceed fifty thousand dollars (\$50,000). The credit may not be taken for the year in which the donation is made but may be taken for the taxable year beginning during the calendar year in which the application for the credit becomes effective as provided in subsection (c) of this section.

(c) Application. – To claim the credit provided in this section, a corporation must file an application with the Secretary for the credit. The application must be filed on or before April 15 of the year following the calendar year in which the qualified contribution was made. An application is effective for the year in which it is timely filed. The Secretary may not accept late applications under this subsection. The application must be on a form prescribed by the Secretary and include any information required by the Secretary demonstrating that the qualified contribution has met the conditions for the credit

(d) Substantiation. – A corporation claiming a credit under this section must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of the credit to which the corporation is entitled. The burden of proving eligibility for the credit and the amount of the credit rests upon the corporation, and no credit may be allowed to a corporation that fails to maintain adequate records or to make them available for inspection.

(e) Ceiling; Use Allocation. – The total aggregate amount of all credits allowed to taxpayers under this section and G.S. 105-153.12 for qualified contributions made in a taxable year may not exceed twelve million five hundred thousand dollars (\$12,500,000). The Secretary shall, first, fully fund any prorated credits in accordance with subsection (f) of this section and, second, if funds remain after fully funding prorated credits, reopen the application period for credits under this section for which funds have become available. If the Secretary reopens the application period and notwithstanding the application deadline in subsection (c) of this section, the additional applications must be filed with the Secretary on or before October 15 of the year following the calendar year in which the qualified contribution was made. The Secretary may not accept late additional applications permitted under this subsection. The Secretary's determinations based on additional applications timely filed in accordance with this subsection are final.

(f) Reduction. – The Secretary shall calculate the total amount of credits claimed from applications timely filed under subsection (c) of this section. If the total amount of credits claimed for qualified contributions made in a calendar year exceeds this maximum amount, the Secretary shall allow a portion of the credits claimed by allocating the maximum amount in credits in proportion to the size of the credit claimed by each taxpayer. If a credit claimed under this section is reduced as provided in this subsection, the Secretary shall notify the corporation of the amount of the reduction of the credit on or before December 31 of the year following the calendar year in which the qualified contribution was made. The Secretary's allocations based on applications filed under subsection (c) of this section are final and shall not be adjusted to account for credits applied for but not claimed.

(g) Limitation. – The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except tax payments made by or on behalf of the taxpayer.

(h) Carryforward. – Any unused portion of a credit allowed in this section may be carried forward for the succeeding five years.

(i) No Double Benefit. – A taxpayer who claims a credit under this section must add back to taxable income any amount deducted under the Code for the qualified contribution.

(j) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, 2030.

(k) Report. – The Department must include in the economic incentives report required by G.S. 105-256 the following information:

(1) The number of individuals that took the credit allowed under this section.

(2) The total amount of credits claimed.

(3) The total amount of credits carried forward.

(4) Increases to endowed funds held by qualified community foundations.

(5) Capture of generational transfer of wealth for the benefit of NC communities and organizations.

(6) Improvements to and support of community development programs, projects and activities.

(7) The total cost to the General Fund of the credits taken."

SECTION 2. Part 2 of Article 4 of Chapter 105 of the General Statutes is amended by adding a new section to read:

"§ 105-153.12. Credit to endow qualified community foundations.

(a) Purpose, Definitions. – The purpose of this section is to promote philanthropic investments in local community development programs and activities and to enhance the quality of life for residents of the State by providing a tax credit for charitable gifts made by taxpayers to endowed funds held by community foundations in North Carolina. The following definitions apply in this section:

(1) Endowed fund. – A fund, including donor-advised funds, community foundation affiliate funds, field-of-interest funds, agency funds, and designated organizational funds, held by a qualified community foundation that (i) benefits charitable causes in the State and (ii) is intended to exist in perpetuity.

(2) Endowment gift. – An irrevocable contribution to an endowed fund held by a qualified community foundation.

(3) Qualified community foundation. – An entity exempt from federal income taxation under section 501(c) of the Code that meets all of the following requirements:

a. It is organized by articles of incorporation in this State to serve the State, one or more counties or municipalities in the State, or both.

b. It is comprised of permanent, component funds established by multiple separate donors for the purpose of supporting broad-based charitable interests that solely benefit some or all of the residents of the State. Support, as required in this sub-subdivision, means providing grants to at least two unaffiliated, tax-exempt organizations.

c. The board of directors is comprised of community representatives and independent from another entity.

d. It complies with the guidelines established by the Department, including compliance with reporting, data privacy, and certification.

(4) Qualified contribution. – An endowment gift to a qualified community foundation for an endowed fund that qualifies as a charitable gift under section 170(c) of the Code.

(b) Credit. – Subject to the limitations in this section, an individual that makes a qualified contribution of at least one thousand dollars (\$1,000) to an endowed fund of a qualified

community foundation during the taxable year is allowed a credit against the tax imposed by this Part equal to twenty-five percent (25%) of the qualified contribution. The aggregate amount of credit allowed to an individual in a taxable year under this section for one or more qualified donations made during the taxable year may not exceed fifty thousand dollars (\$50,000). The credit may not be taken for the year in which the donation is made but may be taken for the taxable year beginning during the calendar year in which the application for the credit becomes effective as provided in subsection (c) of this section.

(c) Application. – To claim the credit provided in this section, an individual must file an application with the Secretary for the credit. The application must be filed on or before April 15 of the year following the calendar year in which the qualified contribution was made. An application is effective for the year in which it is timely filed. The Secretary may not accept late applications under this subsection. The application must be on a form prescribed by the Secretary and include any information required by the Secretary demonstrating that the qualified contribution has met the conditions for the credit

(d) Substantiation. – An individual claiming a credit under this section must maintain and make available for inspection by the Secretary any records the Secretary considers necessary to determine and verify the amount of the credit to which the individual is entitled. The burden of proving eligibility for the credit and the amount of the credit rests upon the individual, and no credit may be allowed to an individual that fails to maintain adequate records or to make them available for inspection.

(e) Ceiling; Use Allocation. – The total aggregate amount of all credits allowed to taxpayers under this section and G.S. 105-130.34A for qualified contributions made in a taxable year may not exceed twelve million five hundred thousand dollars (\$12,500,000). The Secretary shall, first, fully fund any prorated credits in accordance with subsection (f) of this section and, second, if funds remain after fully funding prorated credits, reopen the application period for credits under this section for which funds have become available. If the Secretary reopens the application period and notwithstanding the application deadline in subsection (c) of this section, the additional applications must be filed with the Secretary on or before October 15 of the year following the calendar year in which the qualified contribution was made. The Secretary may not accept late additional applications permitted under this subsection. The Secretary's determinations based on additional applications timely filed in accordance with this subsection are final.

(f) Reduction. – The Secretary shall calculate the total amount of credits claimed from applications timely filed under subsection (c) of this section. If the total amount of credits claimed for qualified contributions made in a calendar year exceeds this maximum amount, the Secretary shall allow a portion of the credits claimed by allocating the maximum amount in credits in proportion to the size of the credit claimed by each taxpayer. If a credit claimed under this section is reduced as provided in this subsection, the Secretary shall notify the corporation of the amount of the reduction of the credit on or before December 31 of the year following the calendar year in which the qualified contribution was made. The Secretary's allocations based on applications filed under subsection (c) of this section are final and shall not be adjusted to account for credits applied for but not claimed.

(g) Limitation. – The credit allowed under this section may not exceed the amount of tax imposed by this Part for the taxable year reduced by the sum of all credits allowable, except tax payments made by or on behalf of the individual.

(h) Carryforward. – Any unused portion of a credit allowed in this section may be carried forward for the succeeding five years.

(i) No Double Bbenefit. – An individual who claims a credit under this section must add back to taxable income any amount deducted under the Code for the qualified contribution.

(j) Sunset. – This section is repealed effective for taxable years beginning on or after January 1, 2030.

(k) Report. – The Department must include in the economic incentives report required by G.S. 105-256 the following information:

(1) The number of individuals that took the credit allowed under this section.

(2) The total amount of credits claimed.

(3) The total amount of credits carried forward.

(4) Increases to endowed funds held by qualified community foundations.

(5) Capture of generational transfer of wealth for the benefit of NC communities and organizations.

(6) Improvements to and support of community development programs, projects and activities.

(7) The total cost to the General Fund of the credits taken."

SECTION 3. This act is effective for taxable years beginning on or after January 1,

2025.