

Legal and Tax Issues Quiz for Managers and Directors of
North Carolina Nonprofit Organizations (rev. 4-08)

1. Only nonprofits that retain a professional fundraiser are required to have a North Carolina charitable solicitation license.
 - a. True
 - b. False

2. Which of the following apply to Internal Revenue Code Section 501(c)(3) nonprofits having employees?
 - a. Federal unemployment tax
 - b. NC unemployment tax
 - c. Both a and b
 - d. Neither a or b

3. Which of the following statements is true?
 - a. Nonprofits must pay sales tax on purchases, but are not required to collect sales tax on the sale of goods.
 - b. The sales tax provisions do not apply to nonprofits exempt under Section 501(c)(3.)
 - c. Nonprofits are eligible for exemption from sales tax on their purchases.
 - d. None of the above.

4. Since nonprofits are not subject to the Sarbanes-Oxley Act, they are not required to have a code of conduct (“whistle-blower” policy) or document retention policy.
 - a. True
 - b. False

5. If a nonprofit is organized as a corporation, responsible persons, including volunteers, are immune from personal liability for failure to remit taxes withheld from wages.
 - a. True
 - b. False

6. Nonprofits whose gross receipts average less than \$25,000 a year are required to file the online IRS Form 990-N “E-postcard.”.
 - a. True
 - b. False

7. Nonprofits recognized under Section 501(c)(3) may not participate in political lobbying activities.
 - a. True
 - b. False

8. Real estate owned by a nonprofit is exempt from local North Carolina real estate taxes.

- a. True
- b. False

9. A nonprofit employer, unlike a for profit employer, may elect to treat an employee as an independent contractor.

- a. True
- b. False

10. Which of the following types of payments must a nonprofit report annually to the recipient on IRS Form 1099-MISC?

- a. Payments for services made to an independent contractor not organized as a corporation, totaling \$600 or more for the year.
- b. Payments for legal services, even if the law firm is incorporated.
- c. Payments of interest to a non-corporate lender, totaling \$600 or more for the year.
- d. Both a and b.

11. Regarding written confirmations to donors for contributions of cash or property, which of the following statements is not true?

- a. Unless one of the exceptions for items of insubstantial value applies, a nonprofit must include with the confirmation a good faith estimate of the value of any goods or services provided to the donor, in return for a contribution of \$75 or more.
- b. A nonprofit is not required to initiate a confirmation to a donor except where a “quid pro quo” donation has taken place.
- c. A confirmation that the nonprofit sends by email does not satisfy the donor’s requirement to have written substantiation of the donation.
- d. Both b and c.

12. Employees must be paid for any time spent volunteering for activities of the organization falling outside of their assigned work hours, unless it can be clearly established that the volunteer activities are not of a type performed by the employee, as part of their regular employment.

- a. True
- b. False