

Charities and Other Tax-Exempt Organizations

Introduction

Nonprofit charitable organizations, those exempt under section 501(c)(3) of the Internal Revenue Code, include organizations whose purposes are religious, charitable, educational, scientific, or for the purpose of testing for public safety. These organizations can receive tax-deductible contributions and must serve the public interest in a manner that supports their charitable mission. This group includes, among others, schools and universities, hospitals and other health-related organizations, religious organizations, and publicly-supported charities. Certain other tax-exempt organizations, those exempt under sections 501(c)(4) through (c)(9), are included in the articles and tables (with the exception of Reporting Year 1996). This group includes civic leagues and social welfare organizations, labor organizations, business leagues, recreational and social clubs, fraternal beneficiary associations, and voluntary employee beneficiary associations. Unlike organizations exempt under section 501(c)(3), these organizations, in most cases, are not eligible to receive tax-deductible contributions.

This section presents articles and tables on nonprofit charitable and other tax-exempt organizations for Tax Years 1989 through 1998. The data come from samples of the Form 990, *Return of Organization Exempt from Income Tax*, and Form 990-EZ, the short form version of this information return. The latter form may be completed by smaller organizations, those with end-of-year assets of \$25,000 or less, and gross receipts of \$25,000 to \$100,000.

Nonprofit charitable organizations exempt from income tax under Internal Revenue Code section 501(c)(3) filed over 207,000 information returns for 1998, and increase of 4 percent from the previous year. These organizations reported \$1.4 billion in assets, a decrease of 6 percent from 1997, and

\$752.0 in revenue, slightly less than the previous year. These statistics exclude private foundations, most organizations with receipts totaling less than \$25,000, as well as most churches and certain other types of religious organizations.

Program Developments

The SOI program on nonprofit charitable and tax-exempt organizations has expanded and evolved during the 1990's. Beginning with Tax Year 1994, SOI began classifying nonprofit charitable organizations using the National Taxonomy of Exempt Entities (NTEE), developed by the National Center for Charitable Statistics [1]. This system classifies organizations based on their institutional purpose and major activity. Detailed information on the income-producing activities of tax-exempt organizations was collected for the first time for Tax Year 1990. For 1992, compensation data for officers, directors, trustees, and other highly-paid employees were included in the SOI program for the first time. For Tax Year 1997, there were two major additions to the data: a worksheet that reconciles revenue and expenses on organizations' financial statements with the values reported on the Form 990; and detailed information on lobbying expenditures by 501(c)(3) organizations.

[1] For information on the National Taxonomy of Exempt Entities classification system, see Hodgkinson, Virginia A., Weitzman, Murray S., et al., *Nonprofit Almanac, 1996-1997: Dimensions of the Independent Sector*, Jossey-Bass, Inc., 1996; Stevenson, David R., Pollak, Thomas H., and Lampkin, Linda M., et al., *State Nonprofit Almanac 1997: Profiles of Charitable Organizations*, The Urban Institute, 1997; and *The National Taxonomy of Exempt Entities Manual*, The Urban Institute, 1997.

Source: IRS; Compendium of Studies of Tax-Exempt Organizations, 1989-1998; Volume 3, Publication 1416; August 2002