

FOCUS ON NONPROFIT CHARITABLE ORGANIZATIONS, 1982

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This paper discusses nonprofit charitable organizations having tax-exempt status from the Internal Revenue Service that file Form 990 (Return of Organization Exempt from Income Tax) information returns. "Nonprofit charitable organizations" refer to all organizations exempt under Internal Revenue Code (IRC) 501(c)(3) excluding private foundations [1]. In 1982, of 264,890 organizations recognized by the Internal Revenue Service as nonprofit charities, there were only an estimated 75,738 required filers [2]. A major reason for the discrepancy between the number of filers and number of organizations is that organizations whose gross receipts are less than \$25,000 are not required to file Form 990.

Organizations tax-exempt under IRC 501(c)(3) are involved in a diversity of projects that further their exempt or charitable purpose. IRC 501(c)(3) status is typically granted to an entity organized for purposes that are religious, charitable, scientific, educational or testing for public safety.

Activities engaged in are restricted only in that they must be substantially related to the exempt purpose of the organization and they must serve public (as opposed to private) interests. Examples of organizations that meet Section 501(c)(3) criteria are Harvard College, the Shriners Hospital for Crippled Children, and the American Statistical Association.

In addition to tax-exempt status, nonprofit charitable organizations enjoy many other benefits. These benefits include reduced postal rates for publications and mail solicitations, State retail sales tax and property tax exemption. Also, the federal government provides certain nonprofit charitable organizations with surplus food products, particularly for overseas philanthropy, and even, in some cases, gifts of government surplus property.

The IRC divides nonprofit organizations into 23 groups, certain of which may receive tax deductible charitable donations. The organizations exempt from income tax under IRC 501(c)(3) receive the largest part of tax-deductible donations; in addition, they are the largest suppliers of philanthropic goods and services. Except where noted, the data in this article refer only to 501(c)(3) organizations, excluding private foundations. For 1975, when all nonprofit organizations were measured, 501(c)(3) organizations (excluding private foundations) represented 37 percent of the total [3].

Charitable organizations are diverse in scale of financial activity as well as in scope of purpose. The estimates presented in this paper

do not include most religious organizations, of which there are 338,000 churches [4]; nonprofit charitable organizations not required to file because they did not have more than \$25,000 in gross receipts (estimated at about 180,000 in 1982) have also been omitted. Nonetheless, the remaining 75,738 organizations required to file cover the largest part of charitable activity with respect to asset holdings and revenue.

From the earliest days of this country, religious and educational institutions have been exempt from property taxation. The provision for an income tax deduction for charitable contributions by individuals was initiated in 1917 and estate tax deductions for bequests to charitable organizations were authorized in 1919. Charitable deductions for corporations were allowed beginning in 1935.

The flow of private funds to these organizations is promoted by the statute allowing contributions to be deducted in calculating the taxable income of the donor. Individuals or businesses may deduct from their income contributions made to nonprofit charitable organizations. For example, in 1982 individuals could contribute up to 50 percent of their adjusted gross income to nonprofit charitable organizations. Contributions to nonprofit charitable organizations are also tax deductible under U.S. corporate, gift, fiduciary and estate tax laws. Along with other types of tax exempt organizations, 501(c)(3), charitable organizations are subject to a tax on unrelated business income generated from business activities that are regularly carried on and are not substantially related to their exempt purpose.

COMPARISON OF SELECTED NONPROFIT CHARITABLE ORGANIZATIONS FINANCIAL DATA

One of the dominant characteristics of the nonprofit charitable sector has been the concentration of financial resources among a small number of organizations. Based on data in Figure A, approximately 40 percent of the returns were filed by organizations with asset holdings under \$100,000. Organizations with asset holdings under \$1,000,000 filed 78 percent of the returns, but held less than 4 percent of total assets. On the other hand, organizations with assets of \$10,000,000 or more filed approximately 6 percent of the returns, but accounted for 81 percent of total assets. These latter organizations received 75 percent of the total revenue, 48 percent of all contributions, and 83 percent of all dues and assessments.

Charitable organizations receive direct and indirect subsidies from government. Direct government grants in 1982 were \$19.2 billion or

Figure A.--Number of Nonprofit Charitable Organization Returns and Total Assets, by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Asset size	Number of returns	Percent	Total assets	Percent
Total	75,738	100.0%	279,638,066	100.0%
Under \$100,000	29,804	39.4	1,022,985	0.4
\$100,000 under \$1,000,000	29,118	38.4	8,786,885	3.1
\$1,000,000 under \$10,000,000 ..	12,595	16.6	45,533,996	16.3
\$10,000,000 under \$50,000,000 .	3,251	4.3	74,300,485	26.6
\$50,000,000 or more	967	1.3	151,993,712	54.4

Note: Detail may not add to total because of rounding.

46 percent of total contributions received (see Figure B). Excluded from this figure are Medicare and Medicaid payments. Indirect subsidies come in the form of exemption from various taxes and in the loss of revenue to the Federal government (tax expenditures) for allowing the deduction of contributions from income taxed to the donor. In general, as asset size increases, reliance on government grants decreases. Eighty percent of contributions received by organizations with asset holdings under \$100,000 were from government grants as opposed to 42 percent of total contributions for organizations with asset holdings of \$50,000,000 or more. Government grants represented 70 percent of total contributions for organizations with asset holdings of \$100,000 to \$1,000,000; they represented 34 percent of total contributions for organizations with asset holdings of \$1,000,000 to \$10,000,000 and 32 percent of total contributions for organizations with asset holdings of \$10,000,000 to \$50,000,000.

As asset size increases, reliance on

contributions through direct public support increases. Organizations with asset holdings under \$100,000 received only 19 percent of their contributions through direct public support, while organizations with asset holdings of \$100,000 to \$1,000,000 received 21 percent of their contributions from direct public support. Organizations with asset holdings of \$1,000,000 to \$10,000,000 received 52 percent of their contributions from direct public support, while organizations with asset holdings of \$10,000,000 to \$50,000,000 received 56 percent of their contributions from direct public support. Finally, organizations with \$50,000,000 or more in asset holdings received 45 percent of their contributions through direct public support. Contributions received through indirect public support represented less than 1 percent of total contributions for organizations with asset holdings under \$100,000, 12 percent of total contributions for organizations with asset holdings of \$10,000,000 to \$50,000,000, and 14 percent of total contributions for organizations with asset holdings over \$50,000,000.

Figure B.--Contributions Received by Nonprofit Charitable Organizations by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

Asset size	Total contributions	Contributions received through direct support	Contributions received through indirect support	Contributions received through government grants
Total	\$41,272,922	\$17,293,898	\$4,798,250	\$19,180,588
Under \$100,000	2,431,922	467,347	20,600	1,943,973
\$100,000 under \$1,000,000	9,001,429	1,892,748	767,176	6,341,503
\$1,000,000 under \$10,000,000 ...	9,875,831	5,126,488	1,422,242	3,327,099
\$10,000,000 under \$50,000,000 ..	8,338,137	4,633,067	1,005,862	2,699,207
\$50,000,000 or more	11,625,415	5,174,245	1,582,368	4,868,802

Note: Detail may not add to total because of rounding.

Contributions received from the public, as reported on nonprofit charitable organization returns, reflected only 46 percent of the \$48 billion of total contributions reported on all tax returns. (Figure C provides detail on total contributions by source of the contribution.) The remainder of these contributions would have been received by organizations not required to file Forms 990. As already mentioned, religious organizations, the predominant type of 501(c)(3) organization, are not required to file returns. Therefore, the largest part of the remaining 54 percent of contributions not reported on Form 990 would have been donated to these organizations.

Figure C.--Charitable Contributions as Reported on Tax Returns, 1982

[Money amounts are in millions of dollars]

Source of contribution	Amount
Total	\$48,051
Individuals	36,761
Corporations	2,906
Estate bequests	2,545
Fiduciaries	1,416
Private foundations ^{1/}	4,423
Gifts	n.a.

n.a. Not available.

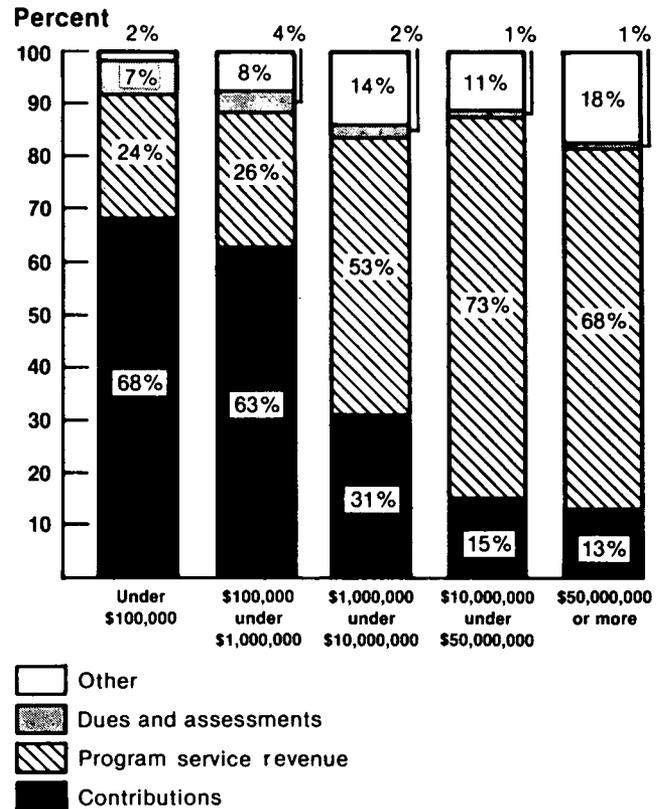
^{1/}The inclusion of this figure in total contributions involves double counting since individual, corporate, estate and fiduciary giving include gifts to private foundations.

Source: U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables.

The nonprofit charitable sector shows a great deal of variation in terms of primary revenue type as total assets increase. As shown in Figure D, contributions as a percent of total revenue varies inversely with the size of total assets. Program service fees become greater in importance as assets increase. Those with assets under \$100,000 relied on contributions for 68 percent of revenue and on fees charged for 7 percent, while those with assets of \$50 million or more depended on contributions for 13 percent of revenue and on program service revenue for 68 percent.

Program service expenditures represented 84 percent of total expenditures, followed by management and general at 15 percent and fund raising and payments to affiliates represented less than 1 percent of expenditures. Organizations with asset holdings of \$10 million or more accounted for more than 74 percent of all program service expenditures.

Figure D
Components of Revenue, by Asset Size, 1982



As shown in Figure E, these relationships were about the same for organizations of different asset sizes. For organizations with under \$1,000,000 in assets, program services accounted for approximately 82 percent of total expenses, while management and general expenses accounted for 17 percent. For organizations with assets between \$1,000,000 and \$10,000,000, program services represented 81 percent of total expenses, while overall management expenses represented 16 percent. For those organizations with assets of \$10,000,000 or more, program services represented 84 percent, while management and related expenses represented 15 percent.

Figure F shows that investments in cash and savings accounts decreased as assets increased. They ranged from a high of 34 percent of total assets for organizations with asset holdings below \$1,000,000 to a low of 7 percent for organizations with asset holdings over \$10,000,000. Land, buildings, and equipment are lowest for organizations with assets of less than \$1,000,000 (31 percent) and highest for organizations with asset holdings of between \$1,000,000 and \$10,000,000 (48 percent). Investments in securities also increase as asset size increases, ranging from a low of 5 percent for organizations with assets of below \$1,000,000 to a high of 28 percent for organizations with asset holdings of over \$10,000,000.

Figure E
Composition of Expenses of Nonprofit Charitable Organizations, by Size of Assets, 1982

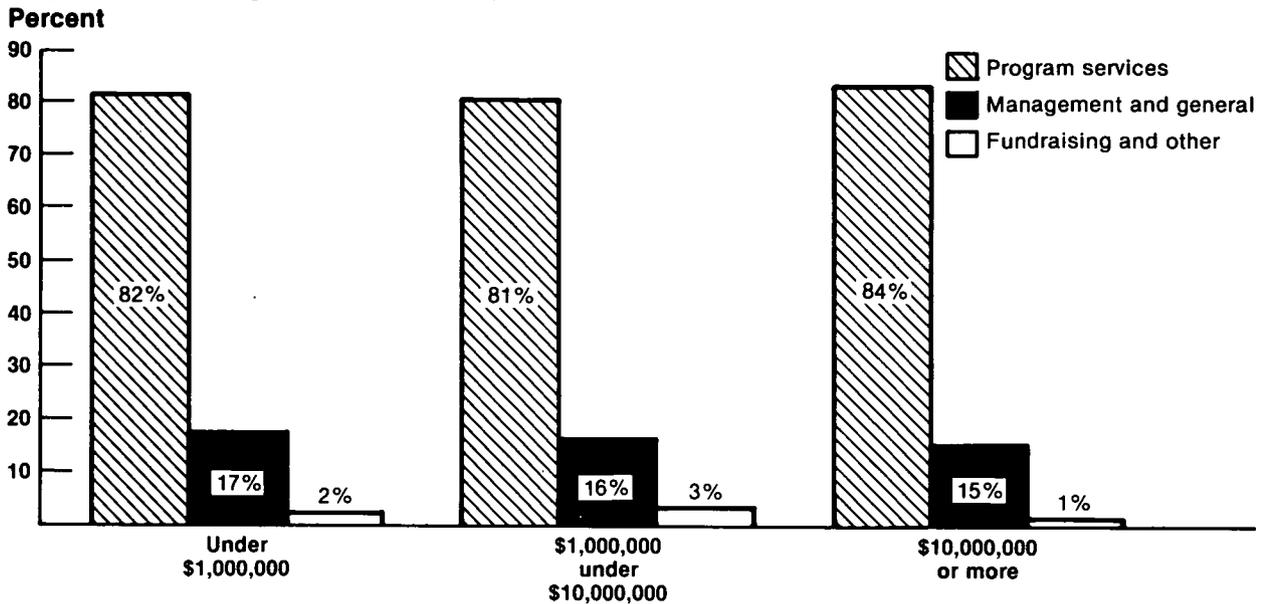
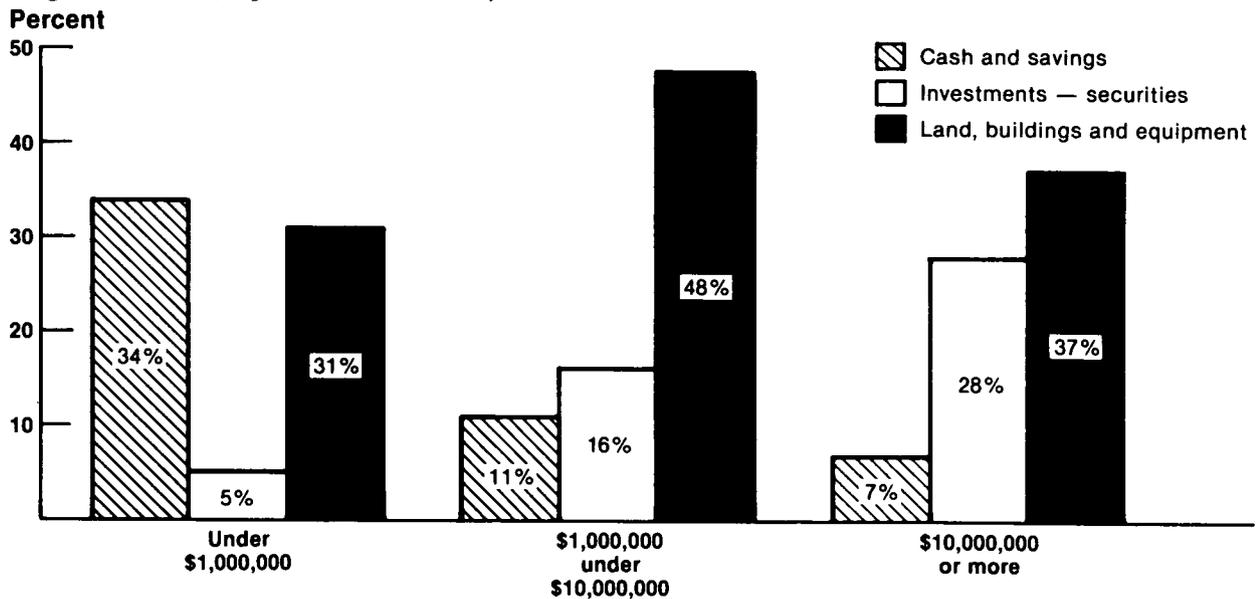


Figure F
Components of Assets of Nonprofit Charitable Organizations, by Size of Assets, 1982



"Mortgages and other notes payable" was the largest liability item. This item represented 44 percent of total liabilities. Organizations with asset holdings of \$10 million or more accrued 78 percent of this item. Other liabilities was the next largest liability item.

As shown in Figure G, California, New York and Pennsylvania ranked 1 through 3, respectively, in terms of number of nonprofit charitable organization returns filed for 1982,

as well as for financial items. California organizations filed 11 percent of all returns and New York and Pennsylvania filed 8 and 7 percent of all returns, respectively. With respect to receipts, New York received 14 percent of total contributions followed by Illinois with 12 percent and California with 9 percent. California, New York and Pennsylvania ranked 1 through 3, respectively, in terms of program service revenue, with California receiving 12 percent of program service

Figure G.--Selected Income and Balance Sheet Items for Top Ten States Ranked by Total Assets, 1982

[All figures are estimates based on samples - money amounts are in thousands of dollars]

State	Number of returns	Total assets	Total receipts	Total contributions received	Total government grants	Total program service revenue
U.S. total	75,741	279,638,065	196,305,702	41,272,738	19,180,588	124,373,341
New York	5,958	53,554,152	27,459,756	5,620,951	1,586,329	13,481,064
California	8,639	22,810,196	21,097,305	3,879,449	1,536,975	14,782,910
Pennsylvania	5,552	18,956,845	14,572,073	1,681,410	768,688	11,462,890
Massachusetts	3,969	15,701,769	10,308,112	2,682,653	1,755,192	5,671,428
Illinois	4,346	15,453,685	14,635,356	5,058,665	2,825,289	8,109,279
Ohio	3,861	12,202,203	10,249,112	2,883,914	1,915,931	6,305,390
Texas	3,650	12,023,368	7,744,494	2,063,163	645,194	4,446,011
Maryland (incl. DC)	1,659	8,701,567	7,076,882	1,981,016	1,238,696	3,797,341
New Jersey	1,917	8,069,478	4,769,614	723,374	311,340	3,175,808
Michigan	3,688	7,729,103	6,192,503	558,643	234,489	5,259,555

revenue, New York 11 percent, and Pennsylvania 9 percent. New York ranked first in terms of assets held, followed by California and Pennsylvania. New York organizations held 19 percent of total assets, California 8 percent and Pennsylvania 7 percent.

GROWTH OF NONPROFIT CHARITABLE SECTOR,
1975 - 1982

As shown in Figure H, nonprofit charitable organizations reported total revenues of \$196.3 billion in 1982, 21 percent of which was obtained from contributions, gifts and grants.

Figure H.--Nonprofit Charitable Organizations, 1975 and 1982

[Money amounts are in billions of dollars]

Item	1975	1982
Number of returns.....	82,048	75,738
Total assets.....	\$108.5	\$279.6
Total revenue.....	65.5	196.3
Contributions, gifts, and grants.....	17.1	41.3
Dues and assessments.....	1.5	2.5
Program service revenue.....	n.a.	124.4
Total expenses.....	62.6	181.3
Program service expenses.....	36.8	151.7
Fundraising expenses.....	1.4	1.7
Management and general expenses	n.a.	27.4

n.a. Not available.

For more detail, see Table 1.

Source: For 1975, data are from Statistics of Income Bulletin, Fall 1981, p. 10.

This is in contrast to the \$17 billion in contributions received in 1975, which represented 26 percent of total. Total expenditures were \$181.3 billion, with direct spending for charitable services covering 84 percent of that total. Fees for services (program service revenue) generated 82 percent of program expenses.

Between 1975 and 1982, the number of organizations required to file Form 990 fell from 82,048 to 75,738; however, total assets over this period increased by \$171.1 billion, a current dollar increase of 158 percent. Over the same period, total revenue grew by \$130.8 billion while contributions, gifts and grants rose by only \$24.1 billion. There are a number of explanations for the simultaneous drop in the number of filers between 1975 and 1982 and the substantial increase in assets and revenue. The primary reason for the drop in the number of filers is the changes in the filing requirement between 1975 and 1982. There was a change in 1976 when the minimum level of gross receipts required for filing purposes was raised from \$5,000 to more than \$10,000. Another change took place in 1982 when it was raised again to more than \$25,000. Adjusting for the rate of inflation, this represented a 203 percent increase in the filing requirement (in 1972 dollars). This, along with a possible increase in the filing of group returns, may have accounted for the decrease in the number of organizations filing a return.

The economic climate of 1982 differed from that of 1975. Inflation was 6.1 percent in 1982 compared to 9.1 percent in 1975. Inflation has particularly negative effects on exempt organizations with endowment funds that depend on fixed long-term investments. In addition, both the stock and bond markets were depressed in 1974. Prices in both the stock and bond markets were much higher in 1981-1982 than in 1974-75 [5].

It may have been that the Economic Recovery

Tax Act (ERTA) of 1981 had a dampening effect on giving by reducing marginal tax rates. ERTA increased the cost of giving since the value of a contribution taxwise was less valuable [6]. ERTA reduced average marginal tax rates as well as the maximum marginal rate (from 70 to 50 percent). The resultant increase in the cost of giving may have had a substitution effect on an individual's willingness to contribute. Estate tax filings were also affected by provisions of the Tax Reform Act of 1976 that progressively raised the gross value of the estate required to file to \$175,000 from a level of \$60,000 in 1975. Charitable bequests for those estates not required to file would have a higher cost than when the estates were taxed.

COMPARISON OF FINANCIAL DATA WITH PRIVATE FOUNDATION AND NATIONAL ECONOMIC STATISTICS

The growth of nonprofit charitable organizations both absolutely and relatively is shown in Figure I. As can be seen, total revenue and expenditures grew faster than total assets which means nonprofit charities expanded their charitable activity rather than added to capital assets. Revenue and expenditures all grew faster than GNP. The growth of the nonprofit charitable sector could reflect the increasing shift of the overall economy from a manufacturing to a service industry base. Service industries such as education, health services, and social services are the dominant activities within the charitable sector.

As shown in Figure J, nonprofit charitable organizations and private foundations filed 104,206 returns during Tax Year 1982 [1]. Seventy-three percent or 75,738 of the returns were filed by nonprofit charitable organizations and 28,468 or 27 percent of the returns were filed by private foundations. Asset holdings for these organizations amounted to \$328 billion with nonprofit charitable organizations holding 85 percent of the total and private foundations holding 15 percent. Land, buildings and equipment (minus accumulated depreciation) represented the largest asset holding for nonprofit charitable organizations (38 percent of their total assets) while the same asset item represented only 3 percent of private foundation total asset holdings. Investments in securities represented 25 percent of nonprofit charitable organization asset holdings and 78 percent of private foundation asset holdings.

Total receipts received for both types of organizations were \$205 billion. Nonprofit charitable organizations received \$196 billion or 96 percent of total receipts and private foundations received \$9 billion or 4 percent of total receipts. (Nonprofit charitable organizations with assets in excess of \$50,000,000 received 46 percent of all nonprofit charitable organization receipts and private foundations with assets in excess of \$50,000,000 received 43 percent of all private foundation receipts.) Program service revenue represented 63 percent of all receipts received by nonprofit charitable

Figure I.--Nonprofit Charitable Organizations, 1975 and 1982: Alternative Measures of Sector Change

[Money amounts are in billions of dollars]

Type of measure	1975	1982	Percentage change
	(1)	(2)	(3)
Total revenues (in 1972 constant dollars)	\$52.1	\$ 94.9	+82.1%
Total assets (in 1972 constant dollars)	86.2	135.1	+56.7
Total expenditures (in 1972 constant dollars)	49.8	87.6	+75.9
Total revenues divided by GNP	4.2%	6.3%	+50.0
Total expenditures divided by GNP	4.0%	5.9%	+47.5
Total revenues per capita divided by per capita income	5.9%	9.0%	+52.5
Total expenditures per capita divided by per capita income	5.6%	8.3%	+48.2
Total revenues divided by revenues of business entities	1.8%	2.5%	+38.9
Total assets divided by assets of business entities	2.0%	3.0%	+50.0

NOTE: Revenue, assets, and expenditures were converted into 1972 dollars using the GNP price deflator. Per capita income is equal to GNP divided by U.S. population. Business entities include corporations, nonfarm partnerships and nonfarm sole proprietorships.

Source: Business entity data are from the U.S. Department of the Treasury, Internal Revenue Service, Statistics of Income Division, published and unpublished tables. GNP price deflator is from U.S. Council of Economic Advisers, Economic Report of the President, February 1984, p. 224. U.S. population data are from U.S. Bureau of the Census, Current Population Reports, Series P-25, and unpublished data.

Figure J.--Selected Balance Sheet and Income Statement Items of Nonprofit Charitable Organizations and Private Foundations by Asset Size, 1982

[All figures are estimates based on samples - money amounts are in millions of dollars.]

Item	Total	Nonprofit charitable organizations	Private foundations
Number of returns	104,206	75,738	28,468
Total assets	\$327,865	\$279,638	\$48,227
Selected assets			
Land, buildings and equipment, net.....	108,162	107,077	1,512
Investments in securities	107,163	69,745	37,418
Total receipts	205,433	196,306	9,127
Selected receipts			
Program service revenue	124,486	124,373	113
Contributions received	43,952	41,273	2,679
Investment income	13,241	9,471	3,770
Total expenditures	187,133	181,299	5,834
Program service expenditures ..	151,668	151,668	n.a.
Contributions, gifts and grants paid	4,478	n.a	4,478

n.a. Not available

organizations. Private foundations' gross profit from business activities (most comparable to program service revenue of nonprofit charitable organizations) represented less than 2 percent of total foundation receipts.

Total contributions received by both types of organizations amounted to \$44 billion. Nonprofit charitable organizations received \$41 billion in total contributions or 94 percent of total contributions and private foundations received \$3 billion in total contributions or 6 percent of total contributions. Total expenditures amounted to \$187.1 billion for both types of organizations. Nonprofit charitable organizations expended \$181.3 billion or 97 percent of total expenditures and private foundations expended \$5.8 billion or 3 percent of total expenditures. Eighty-four percent or \$151.7 billion of nonprofit charitable organization total expenditures were spent on program service expenditures. Seventy-seven percent or \$4.5 billion of private foundation total expenditures were spent on contributions, gifts and grants (comparable to program service expenditures of nonprofit charitable organizations).

ACTIVITIES OF NONPROFIT CHARITABLE ORGANIZATIONS

With respect to assets, liabilities, revenues and expenses, the largest organizations were

predominantly educational institutions and hospitals as shown in Figure K. One of the principal reasons for the growth in assets and revenue between 1975 and 1982 may have been a response to reduced governmental spending for social services. Cutbacks in spending for health and education may have stimulated growth in the nonprofit sector especially in the larger hospitals and educational institutions. The most prevalent form of organization were publicly-supported organizations. These accounted for 67 percent of the organizations, but only 20 percent of total assets.

Figure L shows the differences in the components of the assets and revenue of hospitals, schools and support organizations. Hospitals have a large capital investment in land, buildings and equipment while schools and support organizations held fewer assets in land, buildings and equipment and were more heavily concentrated in investments. Contributions, gifts and grants accounted for 55 percent of the revenue of support organizations, 25 percent of the revenue received by schools, but only 3 percent of the revenue received by hospitals.

Education and health services are good examples of industries that are represented in the private business sector, the government sector and the nonprofit charitable sector. While there certainly is overlap, in general,

Figure K.--Nonprofit Charitable Organizations, Excluding Private Foundations: Balance Sheet and Income Statement Items, by Type of Organization, 1982

[All figures are estimates based on samples - money amounts are in millions of dollars]

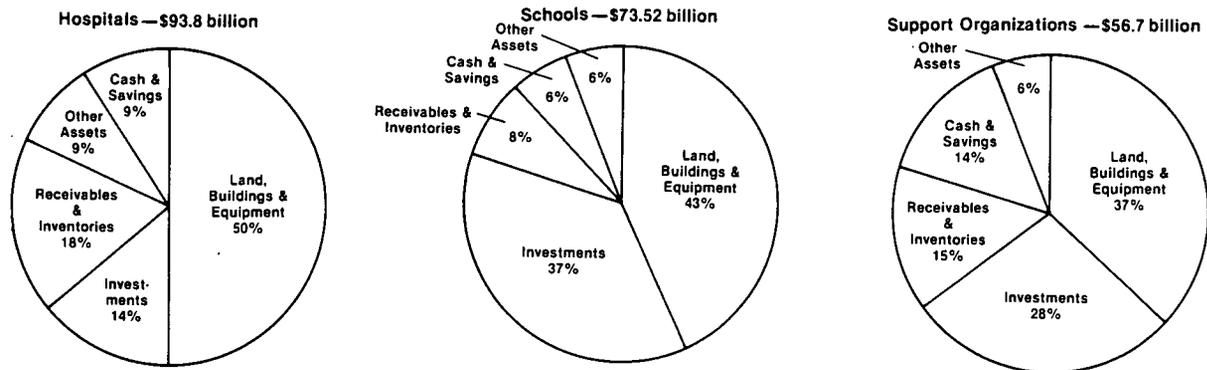
Type of organization ^{1/}	Number of returns	Total assets	Total liabilities	Total revenue	Total expenses
	(1)	(2)	(3)	(4)	(5)
Total	75,733	\$279,632	\$116,771	\$196,300	\$181,294
Churches ^{2/}	2,022	2,837	915	1,517	1,255
Schools	8,335	73,524	13,685	35,224	29,843
Hospitals	5,021	93,839	45,797	91,855	87,278
Government units	701	1,182	443	1,242	1,201
Hospital research organizations	546	1,296	229	560	523
Organizations supporting a public college	1,057	3,400	338	1,860	1,343
Publicly-supported organizations	50,738	56,737	22,812	45,620	43,042
Organizations supporting charitable organizations	4,893	42,418	30,764	15,586	14,267
Organizations testing for public safety	1	104	13	93	85
Not reported	2,419	4,295	1,775	2,743	2,457

^{1/}This classification was derived from Schedule A (Form 990), Part IV, entitled "Reason for Non-Private Foundation Status."

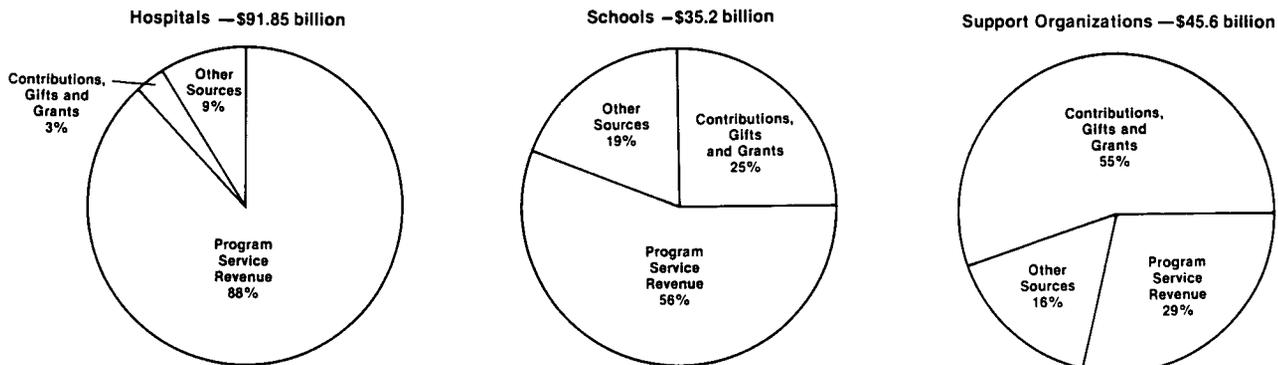
^{2/}Churches are not required to file a Form 990. Most of the organizations in this category either filed voluntarily or misreported their type of organization. This estimate is, therefore, not inclusive of the majority of religious organizations.

Figure L.-- Composition of Assets & Revenue Sources, by Organization Type, 1982

Assets



Revenue Sources



the for-profits target a different market than the nonprofits and government providers. For example, earnings of nonprofit hospitals are used for provision of medical services as opposed to for-profit entities, which may distribute their earnings to individual investors.

Figure M shows, by type of organization, that hospitals dominated the financial statistics for all organizations. This type of organization represented only 7 percent of total returns filed, but held 34 percent of total assets, and received 47 percent of total revenue. Publicly-supported organizations such as the American Cancer Society and the American Red Cross, dominated the statistics in terms of the number of returns filed and ranked second in total revenue received, but third in total assets. This type of organization filed 67 percent of all returns, received 23 percent of total revenue and had 20 percent of total assets. Schools ranked second in terms of assets held, but third in total revenue. Schools held 26 percent of total assets. Schools also ranked second in number of returns filed, representing 11 percent of total returns filed.

FUTURE PLANS

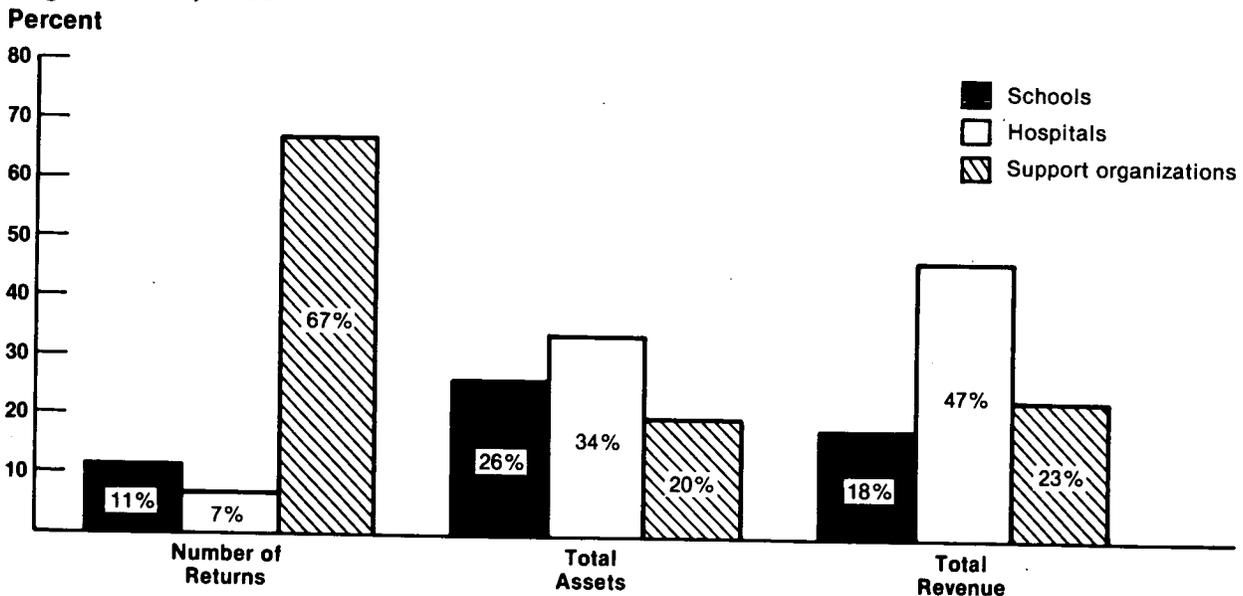
Our future plans call for conducting studies of both 501(c)(3) nonprofit charitable organizations and private foundations each year. Results for 1982 were published in the Winter 1985-1986 issue of the *Statistics of Income Bulletin*. Results from our 1983 studies will be available in the Spring 1987 issue of the *SOI Bulletin*. Because of the effect of Gramm-Rudman on our resources, we will not be conducting 1984 exempt studies, but will be back on our regular annual cycle in 1985, barring any unforeseen contingencies.

The sample design for the exempt organization study is partially longitudinal in design. Exempt organization returns with \$20 million or more in assets will be included in the sample every year. For organizations in this size class that are added to the sample as a result of growth, we will have data for every year since they were selected and data for the year prior to their initial selection. We plan to develop an archival file with charitable exempt organization data utilizing the longitudinal data.

In addition to the data from the SOI sample, we are working with other areas of the Service to perfect exempt organization administrative data for the population of exempt organization filers. The advantages of administrative data are that they are economical, timely and not subject to sampling error. The disadvantages are limited item content and that the data are not subjected to the rigorous data checking that SOI studies do.

The National Center for Charitable Statistics (NCCS) is helping to support the Tax Year 1983 and Tax Year 1985 projects. NCCS representatives are working with us to augment the 1985 sampling plans to strengthen the sample design, especially in the lower asset size strata. Our current sample is designed to obtain greater numbers of returns in the larger asset classes. As a result, social welfare organizations, which are largely in the lower asset size classes, are not well represented in our sample. We are working with NCCS to augment the sampling frame for social welfare organizations. In addition, we are working with NCCS on assigning primary activity codes for each organization in our 1982-1983 files.

**Figure M
Selected Financial Items by Type of
Organization, 1982**



Future SOI exempt organization studies are being planned with heightened emphasis placed on developing a multi-purpose database which can be tailored to the needs of a broader spectrum of data users. We are currently planning a pilot and a full-scale study of exempt organizations with unrelated business income. In the Fall of 1986, we will be obtaining limited information on the population of Form 990-T (Exempt Organization Business Income Tax Return) filers from our administrative files. We will be checking the quality of data from this file by checking the data against a sample of separately edited returns. We will also be using data from this administrative file to draw a national sample of approximately 2,000 returns. Results from this study will be available in the Fall of 1987. A full-scale study based on a sample of 7,500 returns is planned for 1988 with results available in late 1989.

Our plan is to tie in the file on unrelated business income with our files of exempt organization returns. Another planned study is to link our Form 990 and 990-PF files to Form 941 employment and earnings data that contain charitable employment data. Finally, our long-range goal is to use a combination of administrative data and SOI special studies to answer special requests on a timely basis.

ACKNOWLEDGMENTS

The author would like to thank John Sullivan for his technical advice and for his careful research of material for this paper. Thanks are also due to Cecelia Hilgert and Beth Kilss for valuable comments made and for reviewing and editing drafts of the paper, and to Nancy Dutton for typing assistance through a multitude of drafts.

NOTES AND REFERENCES

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- [5] U.S. Council of Economic Advisers, Economic Report of the President, 1975, pp. 310-311.

- [6] For empirical evidence that ERTA did not negatively affect charitable giving, see Bristol, Ralph B., "Tax Cuts and Charitable Giving," Tax Notes, July 15, 1985, pp. 323-326.

APPENDIX

Sample Design

The data base developed for this article was constructed by the Statistics of Income Division using the concept of an income year as opposed to a processing year. The income year 1982 statistics in this article cover accounting periods ending December 1982 through November 1983.

The sample size is 4,398 organizations. The estimates of nonprofit charitable organizations presented here are based on a random probability sample of 1982 unaudited information returns (Form 990) stratified by asset levels. The sample was selected on the basis of size of assets. In addition, since the 1982 filing requirement grants an exemption to entities with receipts of \$25,000 or less, this was incorporated as a parameter for bypassing these organizations for sample selection.

Limitations of the Data

The data presented in this article are subject to sampling and nonsampling error. Nonsampling error would stem primarily from interpretation of charitable organization entries on the Form 990 and the efficiency of testing utilized in detecting inconsistencies in the data as well as the quality of the subsequent correction processes. When a 1982 return was not available, 1981 returns were substituted as proxies. Sampling rates range from 1.00 for organizations with \$10 million or more in assets to .0021 for organizations with assets below \$500,000. Additionally, the weighting of the data file had to be adjusted for non-response. The low rate of sampling for lower asset organizations increases the sampling variability for these strata. The approximate coefficient of variation for each sampling rate is shown in Figure 1.

Figure 1.--Approximate Coefficient of Variation for Number of Returns by Size of Assets

Approximate coefficient of variation	Size of assets		
	Under \$500,000 or blank	\$500,000 under \$2,500,000	\$2,500,000 under \$10,000,000
	(1)	(2)	(3)
0.05	50,100	11,300	5,500
0.07	40,100	9,000	4,200
0.10	28,100	6,200	2,800
0.15	16,200	3,500	1,600
0.20	10,200	2,200	950
0.30	5,000	1,050	450