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# National Taxonomy of Exempt Entities

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## NTEE Core Codes (NTEE-CC) Overview

The National Taxonomy of Exempt Entities (NTEE) system is used by the IRS and NCCS to classify nonprofit organizations. It is also used by the Foundation Center to classify both grants and grant recipients (typically nonprofits or governments). NCCS and the IRS use the NTEE-CC system, described below, while the Foundation Center uses a slightly different version with more codes, as well as "population/beneficiary" codes to indicate the type of population served and "auspice" codes to indicate religious or governmental affiliation.

### History

The original NTEE was developed by NCCS during the 1980's with the collaboration of major nonprofit organizations. According to Russy D. Sumariwalla, one of the principal developers of the system, the use of such a system:

- facilitates the collection, tabulation, presentation, and analysis of data by the types of organizations and their activities
- promotes uniformity and comparability in the presentation of statistical and other data collected by various public and private agencies
- provides better quality information as the basis for public policy debate and decision-making for the nonprofit sector and for society at large

In the mid-1990s, the IRS decided to begin classifying new organizations using the NTEE system. The "IRS determination specialists" -- the individuals who decide whether or not an organization is eligible to receive federal tax exempt status -- would classify the organizations based on descriptive data in the organizations' applications for recognition of tax-exempt status (Forms 1023 and 1024). Before beginning, they requested a simplified version of the NTEE to ease classification and to provide a better fit into the North American Industry Classification System (NAICS), the new federal government economic classification system that replaced the Standard Industrial Classification (SIC) codes in 1999.

The National Taxonomy of Exempt Entities - Core Codes (NTEE-CC) was created to meet this need. Designed by a team of experts, the NTEE-CC includes approximately two-thirds, or about 400, of the 645 categories in the original NTEE. Though the majority of the differences in the NTEE-CC are a result of collapsing lesser-used codes, improvements were also included. With its ease of use and consistent hierarchical logic, the NTEE-CC serves as the best instrument for tax-exempt status determination, NAICS linkage, and nonprofit organizational classification.

Unlike the system used the Foundation Center, the NTEE-CC system eliminated the so-called **Common Codes** that permitted the 4th character of the NTEE to indicate if an organization primarily serve any of a dozen or so functions other than direct service. These categories include: alliances, advocacy, management and technical assistance, research, policy analysis, fundraising and other types of support for other nonprofit organizations.

At the same time, the NTEE-CC system added 3-character categories -- all in the 01-19 range within each major group (e.g., A01, B01, A19, B19, etc.) -- for organizations that fulfilled these specialized functions. The NTEE Manual, available under Classification Tools, explains these changes more fully.

Other NCCS Classification Tools </classification/tools.cfm>.

## Structure of the NTEE-CC

The NTEE-CC classification system divides the universe of nonprofit organizations into 26 major groups under 10 broad categories as follows:

### Major Group

- I. Arts, Culture, and Humanities - A
- II. Education - B
- III. Environment and Animals - C, D
- IV. Health - E, F, G, H
- V. Human Services - I, J, K, L, M, N, O, P
- VI. International, Foreign Affairs - Q
- VII. Public, Societal Benefit - R, S, T, U, V, W
- VIII. Religion Related - X
- IX. Mutual/Membership Benefit - Y
- X. Unknown, Unclassified - Z

Within the major groups, organizations are broken down according to logical divisions (decile level codes) and subdivisions (centile level codes). Organizations that exist across all or most of the 26 major groups are treated separately and are given what is known as "common codes".

- Major Groups (1st Digit) - Alphabetic
- Decile Codes (2nd Digit) - Numeric
- Centile Codes (3rd Digit) - Usually numeric but a few letters are used if the number of categories exceeds 10.
- Common Codes (2nd-4th Digit) Numeric

**Major Groups.** The major groups represent broad subsectors, such as health, education, and youth development, of the charitable organization universe. For descriptions, see the Definitions section.

**Decile Codes.** Decile codes subdivide organizations in the major groups by specific activity areas, such as Higher Education within the Education major group. See Definitions section for a full listing of decile codes.

**Centile Codes.** Centile codes subdivide organizations in the decile codes into specific types of organizations. For example, junior colleges, undergraduate colleges, and universities have separate centile codes within Higher Education (B40). See the Definitions section for a full listing.

**Common Codes.** Common codes represent activities of organizations, such as research, fundraising, and technical assistance, which are common to all major groups. The seven common codes used are:

01 Alliance/Advocacy Organizations  
 02 Management and Technical Assistance  
 03 Professional Societies/Associations  
 05 Research Institutes and/or Public Policy Analysis  
 11 Monetary Support - Single Organization  
 12 Monetary Support - Multiple Organizations  
 19 Nonmonetary Support Not Elsewhere Classified (N.E.C.)

Common codes differ from other codes in that fourth and fifth digit are available. These optional digits, used within the common code framework, indicates a kind of organization within a group of organizations. For example, B114 would designate college and university fundraising under B11 Monetary Support. The "4" was chosen from the decile level, B40 Higher Education Institutions. Conversely, high school booster clubs would be classified as B112 (B11 Monetary Support ? Single Organization plus B20 Elementary, Secondary Education, K-12.)

Another example of coding is classifying the tax-exempt "St. Christopher Hospital" as E22; the major group is E for Health, and the decile and centile codes (22) designate a General Hospital. A professional society called "The Learned Society of Landscape Photographers" would be given an NTEE-CC code of A034; the major group is A for Arts, the common code 03 designates the organization as a professional society and the fourth digit (4) signifies visual arts organizations.

An organization that raises funds for a specific organization, such as a single hospital ("Friends of St. Christopher Hospital") receives a code of E112; an organization that raises funds for several hospitals ("Friends of Memphis Hospitals") receives a code of E122.

When a coder knows the appropriate major group category for an organization but is not sure of decile or centile designation, the decile and centile codes of 99 should be assigned.

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