NCCS Research Guide to Nonprofit Sector Data

**Sector Definition (~ one page)**

* What is a Nonprofit?
* What is the nonprofit sector?
  + Voluntary Sector
  + Civil Society
  + Third Sector
* Various roles of nonprofits
  + Community and belonging – membership organizations, sports leagues, recreational facilities (YMCA, soccer fields)
  + Collective action through voluntary labor – PTAs, park or wilderness area maintenance, environmental cleanup (Adopt a Highway), neighborhood watch
  + Direct services: tax subsidies lower operating costs or raise quality, nonprofits fill service gaps not provided by markets, augment government services with diversity of offerings
  + Advocacy and social change
  + Governance Mechanism: internet, New York Stock Exchange, Homeowners Associations, economic development governing boards
    - Creation and stewardship of public goods like land trusts, parks, universities
  + Philanthropy – complex tax rules that provide incentives to donate and many ways for individuals or families to engage with issues they care about (donor advised funds, giving circles)
  + Research – universities, scientific societies, academic journals, joint research facilities (telescopes, hedron colliders?)
  + Special interest groups – labor unions, professional associations, societies to promote minority views or advance interests of minority groups
  + Strengthen democracy – voter rights, free speech (Civil Liberties Union, NRA), free press (nonprofits leading investigative journalism, for example), election monitoring, etc.
  + Make point that there is some alignment of purpose and organizational form – for example 501c categories designed to accommodate different activities, special status created for some with unique filing requirements, privileges, and regulations (hospitals, schools, PACs), and extra tax benefits (deductible donations) given to a subset of these purposes (“public charities” category, which is defined as…).

**Sector History – Legal/Tax Status (~ one page)**

* Origins of foundations as first legal entities in the sector
  + Tensions that legal structures try to balance (benefits to society of philanthropy – for example the library system via Carnegie’s philanthropy – along with tax breaks for wealthy and limits to political influence – Ben can comment on this section).
  + Emphasize the point that the sector was not fully conceptualized at birth nor created through coherent legislative action – it evolved through common law, gaps in legislation, and tax code starting with foundations?
* Evolution of nonprofit legal form through tax code
  + Has been organic and not always coherent – a patchwork of rules govern determine how nonprofit status operates, how it is conferred, and how the sector is regulated
  + Status require (1) incorporation as corp, trust, or association & (2) recognized tax status by IRS
    - Practical implications of org form – corps vs trusts vs associations
    - What does “tax exempt” mean? They still pay some taxes (payroll) and often make “payments in lieu of taxes”
    - What is the definition and purpose of the charitable deduction exemption (501c3 and churches)
    - BMF (all tax exempt orgs) vs Pub 78 (those eligible to receive tax-deductible charitable donations)
* Special types – schools, 527 PACs, etc.
  + Nonprofits can operate in industries / roles that create additional status requirements (apply for status or qualify), disclosures, and regulations
  + List as many as we can identify, which filing requirements (990 schedule or separate forms?), and whether the data is available
    - Include as a table?

**Nonprofit Organizational Types**

In the same way that people have layered and nuanced personalities and take on different roles in different contexts, nonprofits have multiple identities that are defined by myriad regulatory structures and organizational taxonomies. This section presents some common typologies that can help understand the ways in which nonprofits are classified in order to understand how to develop meaningful sampling frameworks that align with research questions.

* Operating, Supporting, and Mutual Benefit
  + What does mutual benefit mean? Whose benefit?
    - (we need an alternative term here)
  + Do types align with 501c status (include table)
    - Mutual benefit is more 501c4
    - Foundations mostly support
  + Direct vs General Support Organizations
  + Operating foundations
* Franchises (many orgs), societies (membership orgs), federations (one org but decentralized activities/chapters), and group exemptions
  + Examples – what makes sense about how they are organized?
    - Fraternal society of… (member orgs with mostly voluntary leadership)
    - Parent Teacher Associations (same as above?)
    - Habitat for Humanity, NPR (decentralized for scale / allow for local differences & autonomy?)
    - NRA, Boy/Girl Scouts (strong central org plus chapters?)
    - Planned Parenthood (benefits of corporate firewalls)
    - Ducks Unlimited (preservation of wetlands – do local chapters control their own land?) vs World Wildlife Fund (centralized land trust, local chapters?)
    - KIPP Charter Schools – franchise as a means of quality-control and efficient pooling of some resources (curriculum, training, tech?)
    - Black Lives Matter – do different chapters have any formal affiliation?
  + Legal definitions and 990 requirements
    - independent org - typical nonprofit with unique EIN, files independently
    - federated nonprofit - single EIN for centralized org with decentralized activities or chapters
    - formal affiliation network - many EINS plus a formal group exemption number – one parent org files single 990 for all EINs
    - informal affiliations - many EINs with related entity status on 990s (how many societies fit in this category?)
    - mention registration of fundraising by state?
* Common Codes in NTEE (not sure if these have origins in 1023 applications and are self-reported, or if they are assigned by the IRS)
  + 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.)
* Tax-Exempt Purposes – discuss how tests are applied for things like public support
  + 1023 application has justifications for tax-exempt status (non-mutually exclusive) – these are really random but we could include a table from one year to show proportions
    - Charitable Purpose [yes/no]
    - Religious Purpose [yes/no]
    - Educational Purpose [yes/no]
    - Scientific Purpose [yes/no]
    - Literary Purpose [yes/no]
    - Public Safety Purpose [yes/no]
    - Amateur Sports Purpose [yes/no]
    - Prevent Cruelty to Animals and/or Children [yes/no]
  + FNDNCD var in BMF – no idea where it comes from?
    - 00 All organizations except 501(c)(3)
    - 02 Private operating foundation exempt from paying excise taxes on investment income
    - 03 Private operating foundation (other)
    - 04 Private non-operating foundation
    - 09 Suspense
    - 10 Church
    - 11 School
    - 12 Hospital or medical research organization
    - 13 Organization operated for the benefit of a public (government owned or run) college or university
    - 14 Governmental unit
    - 15 Organization with a substantial portion of support from a governmental unit or the general public
    - 16 Org income is <=1/3 investment or unrelated business and >1/3 donated or related to purpose
    - 17 Supporting Organization 509(a)(3) for benefit and in conjunction with organization(s) coded 10-16
    - 18 Organization organized and operated to test for public safety
    - 21 Supporting Organization 509(a)(3) Type I
    - 22 Supporting Organization 509(a)(3) Type II
    - 23 Supporting Organization 509(a)(3) Type III functionally integrated
    - 24 Supporting Organization 509(a)(3) Type III not functionally integrated
* “Subsectors” or Activity Codes
  + Note “subsector” can refer to 501c status or NTEE code but those are(somewhat) independent, so language can be imprecise and confusing in published research and regulations governing nonprofits
    - Subsector parallels industrial classification system (NAICS) but within sector
  + 501c subsector codes (see list at end of document)
  + Mission Taxonomies
    - NTEE
      * History
      * Implementation process – how are they assigned and who maintains this?
    - PCS (guidestar)
    - Others
* LEVEL 3 categorizations – where do these come from?
  + AR Arts, culture and humanities
  + ED Education
  + EN Environment/animals
  + HE Health
  + HS Human Services
  + IN International, foreign affairs
  + MO Other mutual benefit
  + MR Pension and retirement funds
  + PB Public, societal benefit
  + RE Religion related
  + UN Unknown, unclassified
  + ZA Single organization support
  + ZB Fundraising within NTEE major group
  + ZC Private grantmaking foundations
  + ZD Public foundations
  + ZE General fundraising
  + ZF Other Supporting Public Benefit
* Political Nonprofits
  + Advocacy & Lobbying
    - Definitions of each and legal restrictions
    - Disclosure on 990
    - Election H
  + 527 PAC status
    - Reason for 501c4 significance
  + Broad Democracy Promotion
    - Goal is to improve the system, not a specific law, candidate, or party
    - Voter registration, election support, etc

**990 Overview – Understanding the Data Generation Process**

* Creation, purpose, and requirements
  + No tax penalties, but automatic revocation after 2 missed years except for churches
  + Public disclosure, veracity of information, enforcement by audit, and consequences of deceit
    - What does it cover? Finances, governance, etc.
    - What does it not cover?
* Major revisions
  + Add diagram on big changes that impact data
  + Table with types of vars and when introduced to 990 form?
  + Note on revocations starting in 2012?
* Current form
* Variants (990N, 990EZ, 990, 990PC)
* Schedules
* Table of Required Filings by Org Type – forms, schedules, and other (e.g. 8872 by 527 PACs): see note on filing requirement codes in the BMF below
  + Split 501c3 into 3 size categories using cutoffs for 990N, 990EZ, 990
  + Foundations: Private vs Community
  + Schools
  + Hospitals
  + Churches
  + Political Organizations
  + Etc.
* Efiling
  + Introduction of option and requirements
    - Large nonprofits and private foundations required
  + proportions of efilers 2010-2021
  + It becomes mandatory in 2022
* Data generation process
  + Historical process of creating 990 data (NCCS Core)
    - IRS receives paper filings, scans onto disk
    - Sent to partner organizations, manual data entry for handful of variables (eventually becomes the SOI extracts)
    - SOI research division statistical sample microdata
      * Details of sample, differences in vars between this and the extracts
      * https://github.com/Nonprofit-Open-Data-Collective/irs-990-soi-study-microdata-sample
  + Efile data availability
    - Lawsuit to free the data
    - Challenges of XML data
    - Nonprofit Open Data Collective – evolution of process
  + 990N postcard filers
    - Fields included, and nature of dataset (is distinct because it is instantaneous only – includes only latest from org, records overwritten so no history)
  + Gaps in data and auto-revocations
  + BMF – where does data come from?
  + Pub 78 – relation to 990?
* Data challenges – taxonomy of problems with 990 data
  + Confusing instructions / ambiguous filing requirements
  + Accounting processes vs 990 info
  + Tax year vs fiscal year
  + Gaps in filing
  + Transcription errors during manual data entry
  + Limited info collected on 990s – e.g. government funding
  + Intentional deceit
    - Individual fraud b/c of embezzlement and weak financial controls
      * 990s are inaccurate but org is viable, 990s occasionally amended
      * Are disclosures on 990 for when this occurs (material diversion)
      * Good research on prevalence and how often it is disclosed
    - Org fraud
      * When discovered they are closed
      * Most common type is fundraising for a cause but diverting money to salaries or political activities, mostly deceptive fundraising
      * Sometimes it is that they did not do program activities that they claim on their 990s / annual reports (didn’t build schools – Three Cups of Tea)
    - Number Fudging
      * Allocation of functional expenses to programs, administrative, and fundraising categories is subjective – lots of ways to manipulate these to look more efficient
      * Makes data quality worse
      * Overhead rates vary widely by org size, subsector, and business model

**Sampling Frameworks**

* Key dimensions of a sampling framework
  + Org type – which typologies are most salient (corp form, operating status, etc?)
    - What are typical useful exclusions?
      * Public charities (501c3) vs all other 501c types
      * Foundations (private and community)
        + Can you include grant-making orgs?
      * Government nonprofits
      * International subsector (activities outside the US) and international orgs (including Puerto Rico and territories?)
      * Operating / supporting
  + Org missions / activities / subsectors
    - New NTEE codes have better hierarchy
    - Other crosswalks
    - Accuracy / completeness considerations
  + Org tactics (slightly different than missions)
    - Political nonprofits
    - Grant-making orgs
  + Org size
    - What are meaningful bins? (this is new metadata being added)
    - Useful filing requirement thresholds
      * 990N – was $25k until 201X, now is $50k
      * 990EZ – is $250k (plus asset requirement) with exceptions of specific orgs
      * 1023EZ requirements (vs regular 1023 form)
      * Government audit requirements
  + Geography
    - Org geographic scope (local, state, regional, national, international)
    - Metros are most meaningful markets (orgs usually compete for members, clients, patrons, donors and grants locally – see Laurie Paarlberg’s research)
    - Urban / suburban / rural scope
    - Headquarters vs point of service establishments vs service catchment areas
      * Limitations of 990 data
      * tips for sampling by each (point to new NCCS methods papers)
      * other data sources (411 service data)
* Data coverage – variables and years (needs to be a table)
  + BMF
  + 990 Core + SOI Extracts (990+990EZ)
    - 501c3 public charities
    - 501c3 private foundations
    - 501c other
  + 990N
  + Efile Data
  + Specialty
    - SOI microsample
    - Digitized files 1998-2002
    - Historic 990s 1982-1994 (pre-Core)
    - 8871/8872 Political Orgs
    - Foundation Center grants database
  + Table 1: dataset by vars included
    - Header info (org types)
    - Part 1 basic financials
    - Other financials
    - Rest of 990 (governance, leadership, etc)
    - Schedules
    - NTEE codes
  + Table 2: dataset by years covered
    - 194X (start of 990) – 1981 (no data)
    - 1982-1994 (historic only?
    - 1994-2010
    - 2010-today
* Dark matter nonprofits – blind spots in the data
  + Informal entities with no recognized status
    - Typically grassroots efforts: Smith, D. H. (1997). The rest of the nonprofit sector: Grassroots associations as the dark matter ignored in prevailing" flat earth" maps of the sector. Nonprofit and Voluntary Sector Quarterly, 26(2), 114-131.
    - Churches as special case
  + Legal corporate entities with no federal tax-exempt status
    - Grønbjerg, K. A., Liu, H. K., & Pollak, T. H. (2010). Incorporated but not IRS-registered: Exploring the (dark) grey fringes of the nonprofit universe. Nonprofit and Voluntary Sector Quarterly, 39(5), 925-945.
  + Sponsored organizations
    - Fiscal sponsorship (formal)
    - Special programs evolving out of other orgs (informal)
  + Donor-advised funds hide some philanthropic activities?

**Annotated Bibliography**

For each section make a short list of suggested reading to learn more about the topics.

**501c Subsector Codes**

SUBSECCD Subsector Code 501c()

01 01- Corporations originated under Act of Congress, including Federal Credit Unions

02 02- Title holding corporation for a tax-exempt organization.

03 03- Religious, educational, charitable, scientific, and literary organizations...

04 04- Civic leagues, social welfare organizations, and local associations of employees

05 05- Labor, agricultural, horticultural organizations. These are eduactional or instruct. grps...

06 06- Business leagues, chambers of commerce, real estate boards, etc. formed to improve conditions...

07 07- Social and recreational clubs which provide pleasure, recreation, and social activities.

08 08- Fraternal beneficiary societies and associations, with lodges providing for payment of life...

09 09- Voluntary employees' beneficiary ass'ns (including fed. employees' voluntary beneficiary...

10 10- Domestic fraternal societies and assoc's-lodges devoting their net earnings to charitable...

11 11- Teachers retirement fund associations.

12 12- Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or coop...

13 13- Cemetery companies, providing burial and incidental activities for members.

14 14- State-chartered credit unions, mutual reserve funds, offering loans to members...

15 15- Mutual insurance cos. ar associations, providing insurance to members substantially at cost...

16 16- Cooperative organizations to finance crop operations, in conjunction with activities ...

17 17- Supplemental unemployment benefit trusts, providing payments of suppl. unemployment comp...

18 18- Employee funded pension trusts, providing benefits under a pension plan funded by employees...

19 19- Post or organization of war veterans.

20 20- Trusts for prepaid group legal services, as part of a qual. group legal service plan or plans.

21 21- Black lung trusts, satisfying claims for compensation under Black Lung Acts.

22 22- Multiemployer Pension Plan

23 23- Veterans association formed prior to 1880

24 24-Trust described in Section 4049 of ERISA

25 25- Title Holding Company for Pensions, etc

26 26- State-Sponsored High Risk Health Insurance Organizations

27 27- State-Sponsored Workers Compensation Reinsurance

40 40- Apostolic and religious orgs. - 501(d)

50 50- Cooperative Hospital Service Organization - 501(e)

60 60- Cooperative Service Org. of Operating Educ. Org.- 501(f)

70 70- Child Care Organization - 501(k)

71 71- Charitable Risk Pool

80 80- Farmers' Cooperatives

81 81- Qualified State-Sponsored Tuition Program

82 82- 527 Political Organizations

90 90- 4947(a)(2) Split Interest Trust

91 91- 4947(a)(1) Public Charity (Files 990/990-EZ)

92 92- 4947(a)(1) Private Foundations

93 93- 1381(a)(2) Taxable Farmers Cooperative

CO CO- Unspecified 501(c) Organization Other Than 501(c)(3)

**Operating status (Mutual Ben, Operating, Support) vs tax-exempt purpose:**

| | | M| O| S|

|:--|--:|------:|------:|------:|

|00 | 0| 116965| 597634| 19691|

|01 | 0| 0| 55| 5|

|02 | 0| 1| 286| 234|

|03 | 0| 28| 6366| 3271|

|04 | 0| 119| 43153| 136089|

|06 | 0| 0| 5| 0|

|07 | 0| 0| 8| 0|

|09 | 0| 10| 2115| 347|

|10 | 0| 1591| 267125| 1604|

|11 | 0| 23| 32779| 768|

|12 | 0| 10| 9041| 443|

|13 | 0| 5| 860| 739|

|14 | 0| 4| 453| 42|

|15 | 0| 2353| 754642| 84506|

|16 | 0| 1372| 421120| 38442|

|17 | 0| 239| 7946| 26268|

|18 | 0| 0| 78| 12|

|21 | 0| 12| 1256| 1119|

|22 | 0| 2| 243| 180|

|23 | 0| 1| 176| 103|

|24 | 0| 0| 53| 94|

|NA | 2| 2430| 431304| 63959|

FNDNCD Reason for 501(c)(3) status

00 All organizations except 501(c)(3)

02 Private operating foundation exempt from paying excise taxes on investment income

03 Private operating foundation (other)

04 Private non-operating foundation

09 Suspense

10 Church

11 School

12 Hospital or medical research organization

13 Organization operated for the benefit of a public (government owned or run) college or university

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18 Organization organized and operated to test for public safety

21 Supporting Organization 509(a)(3) Type I

22 Supporting Organization 509(a)(3) Type II

23 Supporting Organization 509(a)(3) Type III functionally integrated

24 Supporting Organization 509(a)(3) Type III not functionally integrated

**Org type listed in Pub 78 (count of orgs in each category)**

|PC | 907371|

|PF | 98345|

|SOUNK | 11592|

|EO | 11339|

|POF | 6979|

|SO | 4937|

|GROUP | 1863|

|EO,LODGE | 1417|

|FORGN | 581|

|UNKWN | 370|

|EO,GROUP,LODGE | 268|

|SONFI | 194|

|EO,GROUP | 85|

|FORGN,PF | 51|

|GROUP,SOUNK | 44|

|FORGN,SOUNK | 16|

|GROUP,SO | 7|

|EO,FORGN | 5|

|EO,PF | 4|

|FORGN,POF | 4|

|EO,FORGN,GROUP,LODGE | 1|

|EO,SO | 1|

|FORGN,SO | 1|

|GROUP,PF | 1|

(I don’t know where all of these charity types come from – how the IRS assigns each)

SOUNK – support org unknown?

GROUP – group exemption

POF – private operating foundation

SONFI – support org non-financial institution?

LODGE – member societies ? “501c10: Domestic fraternal societies and assoc's-lodges devoting their net earnings to charitable…”

**Filing requirement codes in BMF:**

* 990 - Not required to file (all other)
* 990PF Required - 990 not required to file (all other)
* 010 990 (all other) or 990EZ return
* 011 990PF Required (all other)
* 020 990 - Required to file Form 990-N (Income less than $25,000 per year)
* 021 990PF Required - 990 Required to file Form 990-N (Income less than $25,000 per year)
* 030 990 - Group return
* 031 990PF Required - Group return
* 040 990 - Required to file Form 990-BL, Black Lung Trusts
* 041 990PF Required - 990 Required to file Form 990-BL, Black Lung Trusts
* 060 990 - Not required to file (church)
* 061 990PF Required - Not required to file (church)
* 070 990 - Government 501(c)(1)
* 071 990PF Required - Government 501(c)(1)
* 130 990 - Not required to file (religious organization)
* 131 990PF Required - Not required to file (religious organization)
* 140 990 - Not required to file (instrumentalities of states or political subdivisions)
* 141 990PF Required - Not required to file (instrumentalities of states or political subdivisions)