

US Charity and Nonprofits

Jason Hooy

August 28, 2022

- US GDP per capita doubled between 1980 and 2021 (in 2015 chained dollars), World Bank
- US Household Expenditure per Capita tripled between 1984 and 2020, CEIC
- US Charitable giving tripled between 1980 and 2020 (in CPI-adjusted dollars), Giving USA

Over the last 40 years, the American body politic grew wealthy, hyper-consumeristic, and ever more generous. Let's explore one of generosity's largest conduits, the US Nonprofit sector.

In 2021, the Urban Institute asked 2 research questions:

1. What recent donation trends have 501(c)(3) nonprofit organizations experienced?
 1. How have those trends varied across organization and community characteristics?
2. What are the differing impacts on and implications for nonprofits of donation trends?

I modified those questions to:

1. What are the most pronounced trends in charitable giving between 1980 and 2020?
2. What does IRS data tell us about the state of the nonprofit sector?

Assertion

Decreased church attendance, diffuse charitable giving online, and a proliferate nonprofit sector contribute to religious organizations' shrinking share of charitable giving and secular nonprofits' expanding share of charitable giving.

Key Takeaways

Between 1980 and 2020, religious organizations' share of total charitable giving decreased from 53% to 28%.

Between 1980 and 2020, secular special interest organizations' share of total charitable giving increased from 42% to 72%.

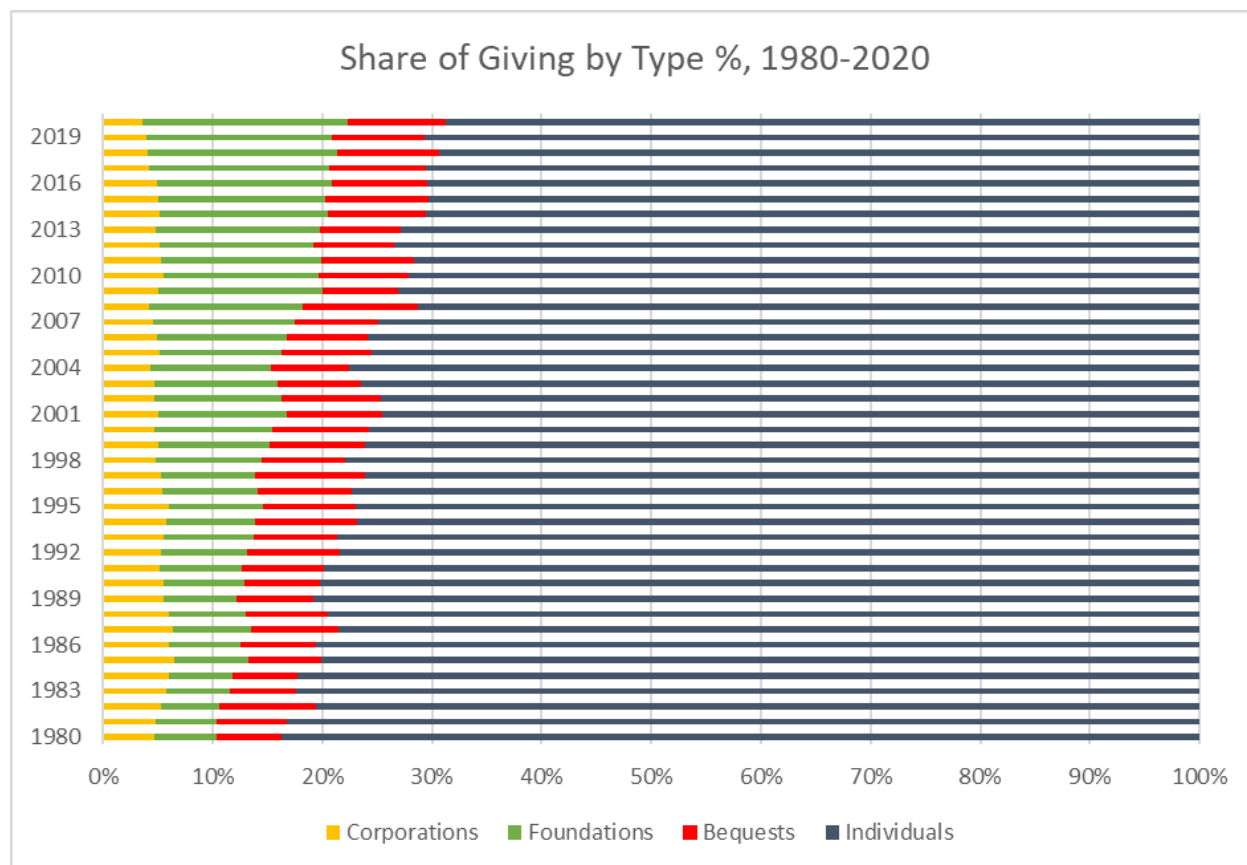
Both decreased church attendance and an increased secular nonprofit population contributed to the decentralization of charitable giving *away* from religious organizations and *toward* secular nonprofits/private foundations.

As of August 8, 2022, the IRS accounts for 1,795,106 tax exempt organizations, of which 547,625 possess assets in excess of \$25,000. That said, a staggering 1,145,659 nonprofits

report no assets at all. On the opposite end of the spectrum, 139,160 nonprofits possess assets in excess of \$1,000,000. Of those, 9,847 possess assets in excess of \$50,000,000.

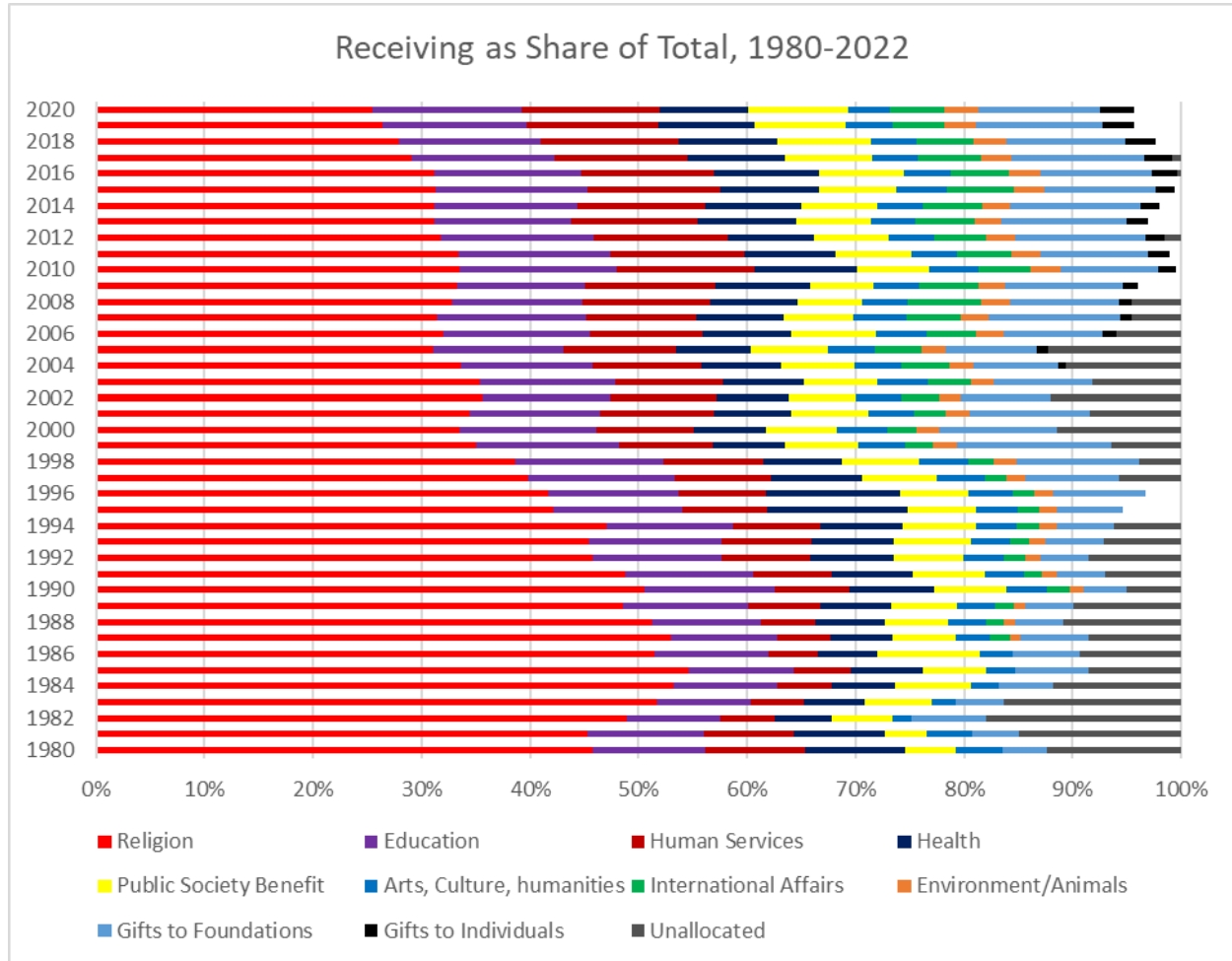
Research Story

Data courtesy of Indiana University Lilly Family School of Philanthropy and Giving USA Foundation shows private foundations' share of total giving increased from 6% in 1980 to 19% in 2020. In contrast, giving from individuals decreased from 84% in 1980 to 71% in 2020. That's a 13% one-to-one swap between the two categories of charitable giving.



From 1980 to 2020, religious organizations received a significantly reduced share of charitable giving. Correspondingly, private foundations' share of charitable donations *received* increased proportionate to charitable donations *given*. In fact, the whole secular nonprofit sector accrued an increased share of charitable donations by 71%. In contrast, religious organizations' share of charitable donations fell 44%.

Despite an 87% increase in total donations received (CPI-inflation adjusted), religious organizations' share of charitable giving decreased by 22 points. This is the most dramatic trend in charitable giving in the 40 year period. Religious organizations' share of total charitable giving reached a high of 53% in 1985, but fell to an all time low of 28% in 2020.



This trend correlates with a Gallop [report](#) that American church, mosque, and synagogue attendance steadily declined from 68% in 1980 to 47% in 2020 (as a percentage of the U.S. population).

What besides diminished church attendance explains this trend?

Charity is far more decentralized in the 21st century. For instance, in 2021 the online fundraising platform [GoFundMe](#) served as the medium of reportedly \$15 billion worth of donations. The [ALS Association](#) reported the 2014 charity campaign called the “ice bucket challenge” raised over \$115 million thanks to its virality via social media platforms. In the 21st century, online charity campaigns can be wildly successful if they go viral.

More generally, the online medium of exchange facilitates giving among like-interested individuals regardless of residence. What was once cash or check delivered via mail is now a simple succession of clicks. The behavioral economist Richard Thaler’s nudge theory rules true

as individuals promote their donations via social media “posts” and spread campaign content via social media pages. Simply, it’s easy to do and rewarded in wide social circles, so people do it more than they otherwise would have.

Pew Research found online social media usage rapidly climbed from 5% in 2005 to 48% in 2010, reaching 72% in 2020. While having social media does not equate to use, additional Pew research confirmed a high frequency of use among those who have it. In fact, a 2021 survey found 70% of surveyed Facebook users visit the site daily and 17% visit weekly.

This online ecosystem of social exchange includes charitable giving. According to The Nonprofit Times, Facebook served as the medium of \$5 billion in charitable giving since 2015. As societies build around the digital nexus of exchange, charitable giving spreads through the convenient and instantaneous flow of information.

Note: Online expansion does not explain the downward trend in donations to religious organizations, which predate widespread internet access and use.

Accessibility goes both ways for secular and religious organizations. Duke University research shows the percentage of church congregations with a website grew from 17% in 1998 to 56% in 2012, to 72% in 2019. Religious organizations are opening up to the internet, but as Pew Research shows, adherents who build such sites and conduct online outreach campaigns are between 46 and 59 years old, the median age of most congregations, an age bracket not known for utilizing online platforms most productively. Religious organizations may be out-campaigned by savvy nonprofit outreach specialists.

Charitable giving trended away from religious organizations into a diffuse sector of nonprofits and private foundations. Accordingly, Giving USA data indicates secular special interest organizations share of total giving increased from 42% in 1980 to 72% in 2020. Unfortunately, Giving USA data does not cover the proliferation of the nonprofit sector or the trends therein (in the data I have access to at least).

The IRS Data

The IRS collects and samples Form 990 and 990-EZ to track the total number of active tax exempt organizations and their asset/liability balance sheets. Per IRS records, nonprofit filings increased 39% from 289,777 to 401,607 from 1987 to 2017. Interestingly, nonprofit growth persisted through the initial 2 years of the Great Recession, but dropped 17% from 2009 to 2010, settling at pre-housing bubble numbers.

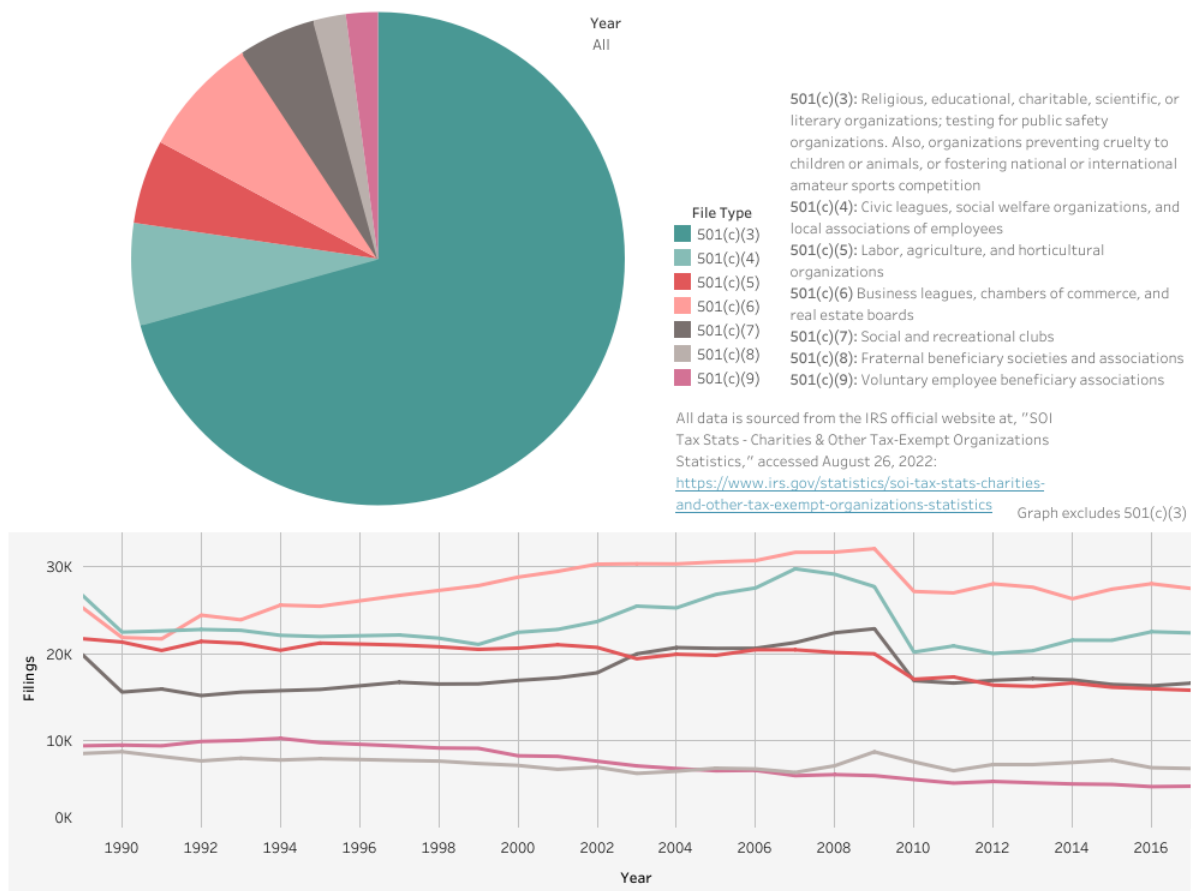
Note: Here, “tax exempt organizations” is used interchangeably with “nonprofit.”

Note: The current filing threshold stands at gross receipts greater than \$200,000.

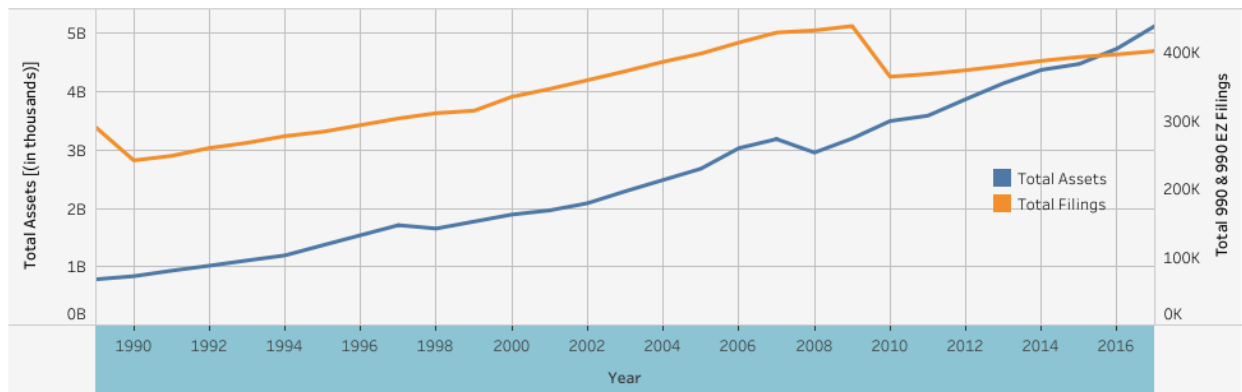
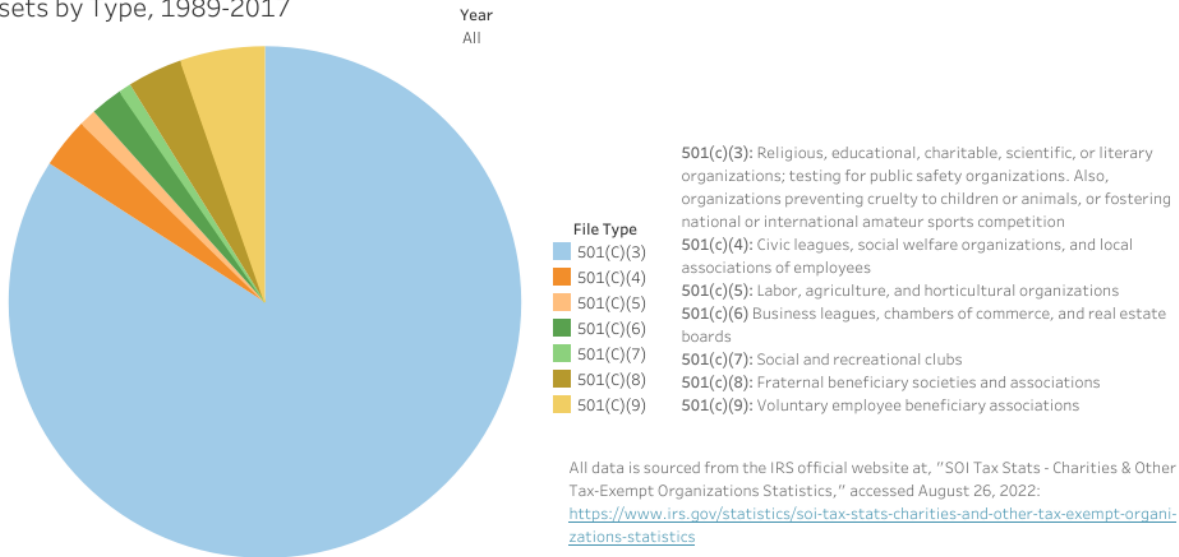
Tableau link, [Breakdown of 501\(c\)\(3-9\) Filings & Assets, 1989-2017](#)

IRS 990 & 990-EZ Filings by Organization Type and Total Assets, 1989-2017

IRS 990 & 990EZ 501(c)(3-9) Filings by Type, 1989-2017



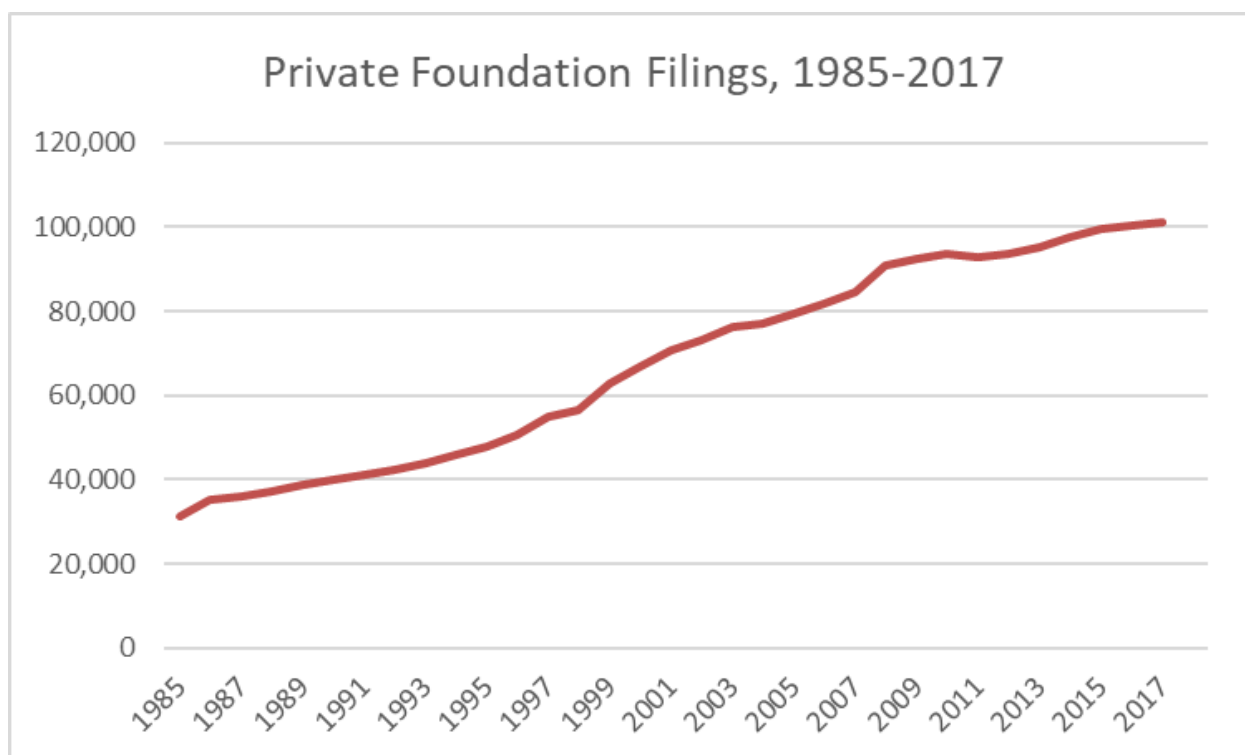
Assets by Type, 1989-2017



Additional IRS data show private foundation filings tripled from 31,171 to 101,194 between 1985 and 2017. Unlike the other 501(c) organizations, private foundation filings rose between 2009 to 2010. There was a drop in 2011, but it was a negligible 448 filings, a change of 0.5%, then grew again in 2012.

As a whole, growth in the nonprofits was stunned by the Great Recession but not derailed.

Note: One reason for this consistency could be related to a IRS rule change by which organizations filing for public charity status are recognized first as a private foundation before they are recognized as a public charity or another 501(c) organization.



Are the IRS records comprehensive?

Unfortunately, due to IRS tax filing requirement thresholds, not all nonprofits are required to file Form 990 or 990-EZ and not all nonprofits file or are accounted for in the data tables. As such, the IRS estimates 25% of total organizations are accounted for in the data, a large gap in information (see [IRS reports](#) on Charities and tax-exempt organizations, 1975-2012).

Note: All private foundations are required to file Form 990-PF regardless of gross receipts or total assets on balance. In fact, all tax exempt organizations are required to file at least Form 990-N. Failure to file with the IRS in 3 consecutive years results in the automatic revocation of tax exempt status.

Other IRS reports accounted for 909,224 nonprofits in 2005 and 1,081,891 in 2012. That said, the IRS' sample size estimation is fairly accurate. The IRS filing data from 2005 and 2012 accounts for roughly 20% to 35% of the actual nonprofit population. This confirms that the data is reasonably accurate, both as a snapshot of high-performing nonprofits (hence the filing threshold) and nonprofit trends.

The IRS hasn't issued an in-depth report on the nonprofit sector since 2016. However, the IRS maintains a [master file](#) of registered nonprofits current as of August 8, 2022. With this data, we can see if the nonprofit sector continued to grow past post-Great Recession levels. We won't see year-to-year changes (which we can judge by Form 990, 990-EZ, and 990-PF filings only, [here](#)), but this data allows us to separate IRS estimates from the figures as they currently stand.

For the continental US, the dataset is split up into three parts (see table below). Too large for Excel or Google Sheets, I loaded each csv into a Google Cloud bucket and used Google Cloud's Bigquery SQL Workspace. Then I transformed, cleaned, and analyzed the data.

Data Region	Cell Count	File Size
Gulf Coast and Pacific Coast	865,886	143 MB
Mid-Atlantic and Great Lakes	669,655	112.1 MB
Northeast	259,565	43.6 MB

To focus on national trends, I merged all the tables together using UNION ALL, producing a table of 1,795,106 rows.

```
(
SELECT *
FROM `donations-data.nonprofits_irs.west` as west
UNION ALL
SELECT *
FROM `donations-data.nonprofits_irs.northeast` as northeast
UNION ALL
SELECT *
FROM `donations-data.nonprofits_irs.midwest_east` as east
)
```

Data Region	Row Count	File Size
National	1,795,106	298.7 MB

Per the IRS data extract, nonprofits are categorized broadly into 5 organization types: Corporation, Trust, Cooperative, Partnership, and Association.

```
SELECT
```

```

COUNT(ORGANIZATION) as org_type

FROM `donations-data.national.current`

WHERE

    ORGANIZATION = x

```

Organization Type	Count
Corporation	1,320,863
Trust	48,799
Co-operative	1,581
Partnership	108
Association	410,942

Then I wanted to see where each organization type was most concentrated.

```

SELECT

STATE,

COUNT(STATE) AS num_state

FROM `donations-data.national.current`

WHERE

    ORGANIZATION = x

GROUP BY STATE

ORDER BY num_state desc

LIMIT 5

```

Organization Type	State	Count
Corporation	CA	148,109
	TX	99,122
	NY	89133
	FL	80,025
	PA	51,193

Organization Type	State	Count
Trust	NY	5,177
	PA	4,104
	FL	3,653
	TX	3,444
	CA	2,803

Organization Type	State	Count
Co-operative	TN	203
	WI	118
	IL	90
	TX	84
	MT	62

Organization Type	State	Count
Partnership	MI	14
	OH	12
	CA	10
	IL	7
	SD	6

Organization Type	State	Count
Association	CA	33,615
	TX	30,006
	OH	23,350
	NY	20,385
	IL	19,720

The question follows, is nonprofit registration concentrated in one city within each state?

```

SELECT
CITY,
STATE,
COUNT(CITY) AS num_city
FROM `donations-data.national.current`
GROUP BY STATE, CITY
ORDER BY num_city desc limit 500

```

Yes, the top ten cities of registered nonprofits are:

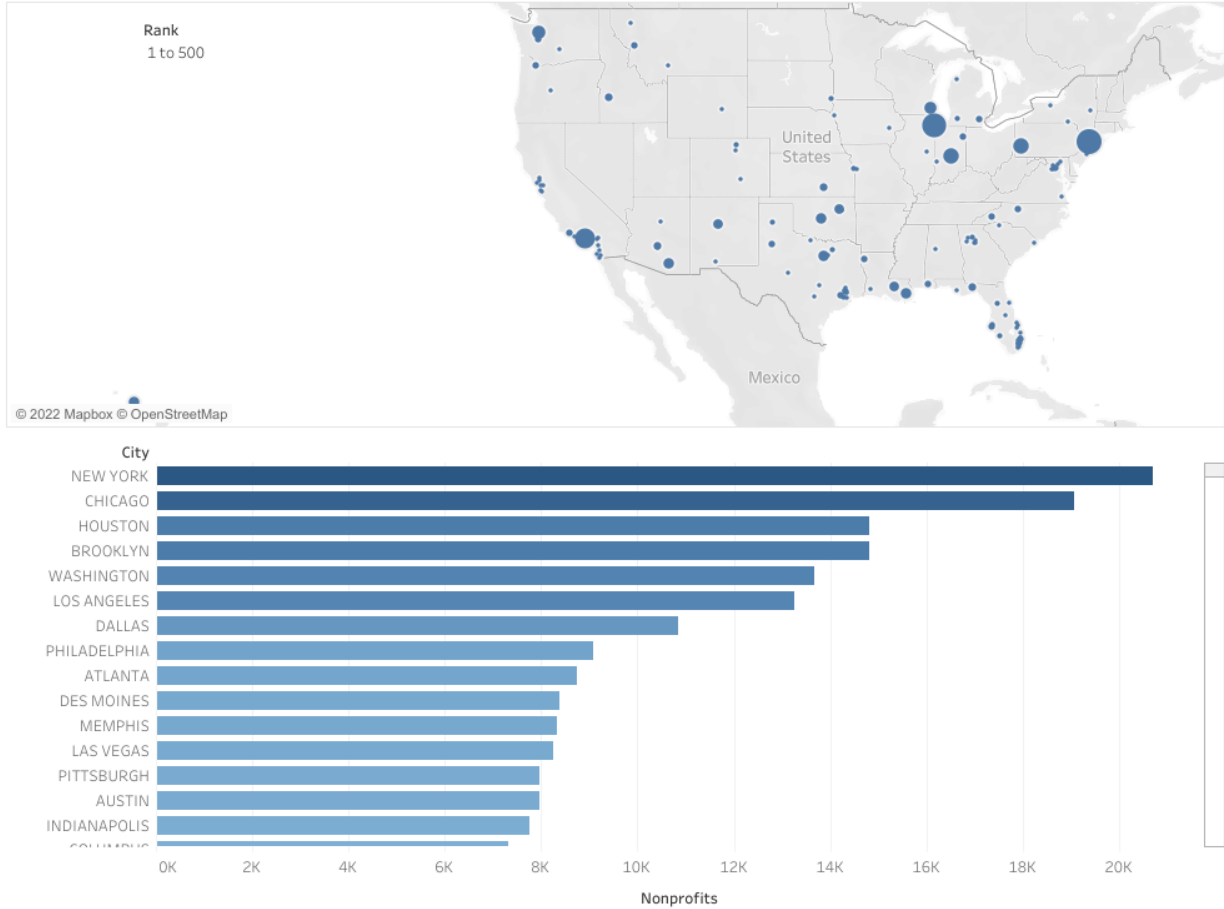
City Rank	City	State	State Rank	Total	% of Total in State
1	New York City	NY	3	20,703	18%
2	Chicago	IL	6	19,063	26%
3	Houston	TX	2	14,824	11%
4	Brooklyn	NY	3	14,114	12%
5	Washington DC	DC	36	13,670	100%
6	Los Angeles	CA	1	13,269	7%
7	Dallas	TX	2	10,856	8%
8	Philadelphia	PA	5	9,067	12%
9	Atlanta	GA	8	8,746	16%
10	Des Moines	IA	22	8,370	29%

*State rank refers to the total number of nonprofits in each state (or city-state) in descending order.

Unsurprisingly, the cities in the top 10 are in States with a high amount of nonprofits. All of the cities' States are in the top 10 overall, except Des Moines, IA, which ranks 10th as a city and 22nd as a State. Washington DC is a highly concentrated area for nonprofits as organizations strategically place their headquarters in close proximity to the U.S. Congress.

[Top 500 Cities with Nonprofits, Current](#)

Top 500 Cities with Nonprofits, Current



How many of the nonprofits possess a favorable deductibility status of deductible? That is, organizations where donations are tax deductible.

SELECT

COUNT(DEDUCTIBILITY) AS tax_benefit

FROM `donations-data.national.current`

WHERE DEDUCTIBILITY = 1

Charitable giving is tax deductible for 1,515,287 nonprofits.

SELECT

COUNT(DEDUCTIBILITY) AS tax_benefit

FROM `donations-data.national.current`

```
WHERE DEDUCTIBILITY = 2
```

Charitable giving is not tax deductible for 244,962 nonprofits. The grand majority maintain a favorable deductibility status.

Wonderfully, this data presents a unique opportunity to look past the IRS filing thresholds. For instance, we can isolate the query for nonprofits with income less than \$25,000.

```
SELECT
```

```
STATE,
```

```
COUNT(INCOME_CD) as less_than_25k
```

```
FROM `donations-data.national.current`
```

```
WHERE
```

```
INCOME_CD < 3
```

```
GROUP BY STATE
```

```
ORDER BY less_than_25k desc
```

Turns out, the vast majority of nonprofits possess total assets of less than \$25,000. At the very top of the list, 126,291 of California's 185,153 nonprofits and 97,853 of Texas' 134,037 nonprofits possess less than \$25,000 in total assets. Further, 113,158 of those 126,291 California nonprofits reported *no* registered assets. The figure is no less staggering for Texas' nonprofits as 91,528 reported *no* registered assets.

I broke down nonprofit asset size by state:

```
SELECT
```

```
STATE,
```

```
COUNT(INCOME_CD) AS asset_size
```

```
FROM `donations-data.national.current`
```

```
GROUP BY INCOME_CD, STATE
```

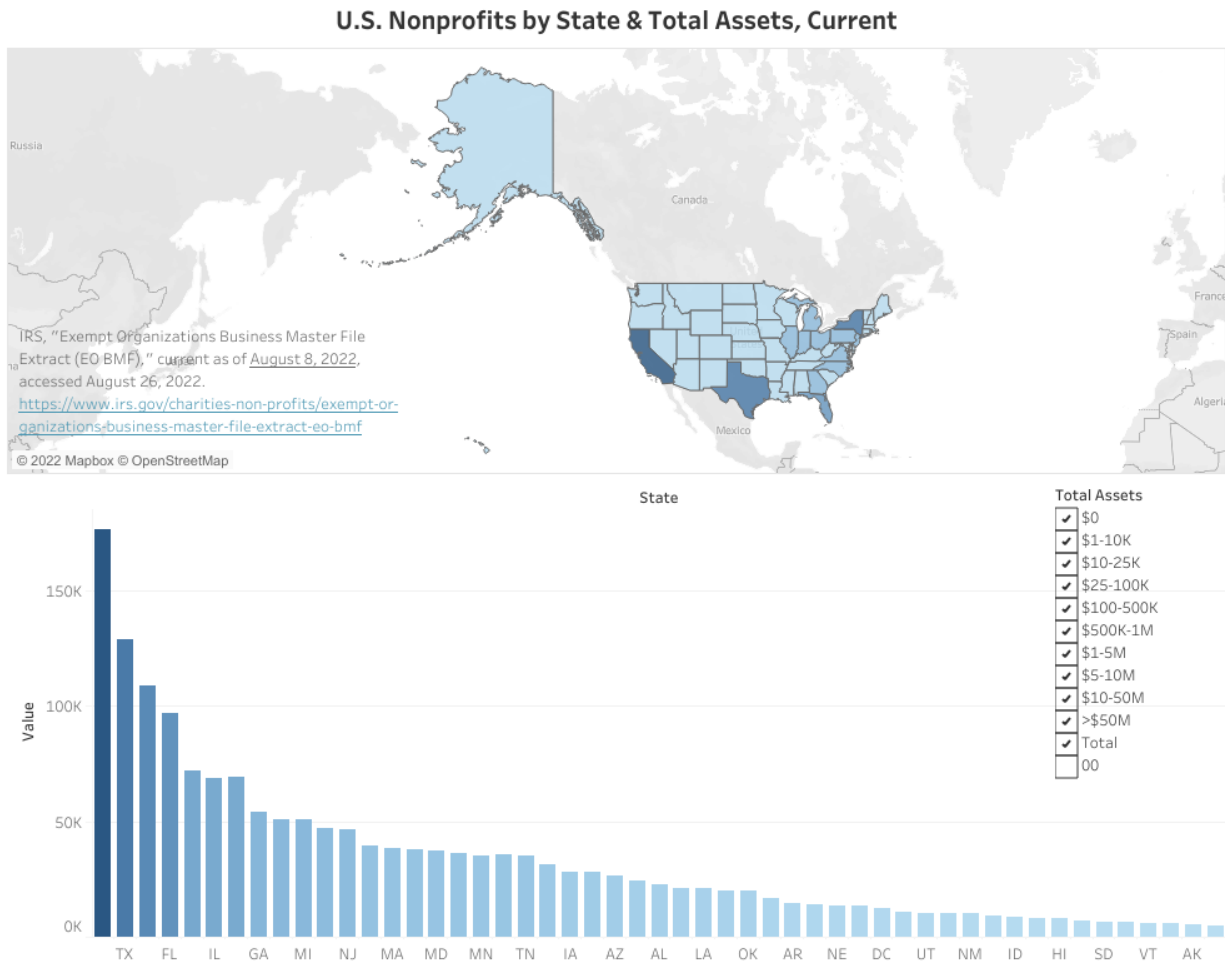
```
ORDER BY STATE
```

```
&
```

```
SELECT  
  
STATE,  
  
INCOME_CD,  
  
COUNT(STATE) AS num_state  
  
FROM `donations-data.national.current`  
  
WHERE INCOME_CD = X  
  
GROUP BY STATE, INCOME_CD  
  
ORDER BY num_state desc
```

Despite inflated figures with the \$0 asset nonprofits, this inflation is consistent among all States. The hotbeds of nonprofit organizations are California, New York, Texas, Florida, Pennsylvania, and Illinois. Therefore, the older IRS data are accurate with regard to trends.

[See U.S. Nonprofits by State & Total Assets. Current](#)



To compare nonprofit and church populations, I ran the query:

SELECT

INCOME_CD,

COUNT(FOUNDATION) as num_church

FROM `donations-data.national.current`

WHERE

FOUNDATION = 10

GROUP BY FOUNDATION, INCOME_CD

The grand majority of registered churches, 250,968 of the 269,904, reported \$0 assets. Interestingly, 136 churches report over \$50 million in assets. The figure we will keep is 18,936- the number of churches with assets greater than \$1.

Asset Size	Church Count
\$0	250,968
\$1-10,000	1,002
\$10,000-25,000	1,311
\$25,000-100,000	6,452
\$100,000-500,000	6,821
\$500,000-1,000,000	1,526
\$1,000,000-5,000,000	1,056
\$5,000,000-10,000,000	308
\$10,000,000-50,000,000	324
\$50,000,000 or greater	136
Total	269,904

Unfortunately, we cannot accurately compare the current data with older data. In a similar data set available via the "SOI Tax Stats - Tax-Exempt Organizations and Nonexempt Charitable Trusts - [IRS Data Book](#) Table 14," there is no delineation between churches from other similar organizations. Instead, the category tracks "Religious, charitable, and similar organizations" as a conglomerate group. So, best we can do is compare that figure over time.

The data goes as far back as 1991. The category grew from 516,554 in 1991, to 1,280,201 in 2010, to 1,431,266 in 2021. Again, we are limited in what we can assert regarding this data point. If we cannot isolate the data to the foundation and income_id codes (or activity codes), then we can't discern a trend between churches and charities or "similar organizations." So, we will have to explore this point in another study.

The absence of 501(c) subcategorization via activity codes (more on this below) in the current dataset limits the ability to verify the consistency between the current and old data. I cannot discern where the discrepancies lie between the accounts. I can neither get more granular with the analysis nor assert, as the comparison shows, that a drop in the number of tax exempt organizations occurred between 2021 and 2022.

Historical table 16 (*Form 990, 990-EZ, 990-N, 990-PF data) is not helpful either, because the nature of that data is exclusionary of non-filing organizations. Additionally, estimates are baked into that data table, which leaves room for error. So, when the data show the number of tax exempt organizations fell from 1,828,187 to 1,795,106 between 2021 and 2022, I cannot definitively affirm it. If that decrease were verifiable, however, the decrease would be an outlier akin to the drop in Form 990* filings from 2009-2010 and Form 990-PF filings from 2011-2012. If that were the case, we'd want to see monthly figures to see if the IRS accounts for organizations on a cyclical or seasonal basis and has not gotten to tabulating all the data yet. The IRS website cautions this possibility, but again I cannot confirm it.

Note: If anyone knows where I can get the full tax exempt organization data, something like what I have for the current numbers, I would greatly appreciate it.

What does the current data tell us?

The last IRS report on "Charities and Other Tax-Exempt Organizations" was published covering tax year 2012. The report accounted for 1,081,891 tax exempt organizations under section 501(c)(3). As illustrated above, current IRS data indicates there are now 1,795,106 blanketly tax exempt organizations.

The latest IRS data table "SOI Bulletin Historical Table 16," covers tax years 1985-2018. That data table accounted for 408,767 tax exempt organizations. Despite changes in filing thresholds (see IRS Notes below), current IRS data accounts for 547,625 tax exempt organizations with total assets greater than \$25,000. Bridging the gap in data from 2019 to 2021, current data indicate a continued proliferation of secular special interest nonprofit organizations.

On the whole, we discern 1,044,253 organizations that were created after 1995 (and are still active)- because the IRS discontinued activity codes. We know this because organizations created after 1995 have a "0" in the activity code cell. Organizations may come and go, but over a million were created and remain active over the last 25 plus years.

Decreased church attendance rates, increased charitable giving exchanged online, and secular nonprofit growth (or high turnover) contribute to religious organizations' shrinking share of charitable giving and secular nonprofits' expanding share of charitable giving.

Next

IRS historical data table 16 shows the population of certain types of organizations dropped over the 30-year period:

1. Labor and agriculture organizations went from 72,009 to 48,093
2. Social welfare organizations, 142, 473 to 103,958
3. Fraternal beneficiary societies, 98,840 to 42,660

4. Voluntary employees' beneficiary associations, 14,708 to 5,890

I will explore the broader context and any additional data to analyze these developments in another study.

I'm left wondering...

1. I can do a far more comprehensive macroeconomic study on charity if I had more data.
 1. If the data goes back, say, to the 1910s and the beginning of tax deductibility, I'd be able to see how policy impacted charitable giving.
 2. How far back do the records go?
 1. How else might we quantify charitable giving?
2. With more data on the nonprofit population I could identify trends in the private social welfare/net apparatus.
 1. With this data, I could compare the state of private welfare before and after the expansion of Federal welfare/grant-distributing programs.
 1. How much of the nonprofit sector is funded almost exclusively by Federal, State, county, municipal government?
 1. Are specific types of nonprofits working with particular levels of government or are they vertically integrated into the grant funding processes?
3. How does the expansion of the nonprofit sector correlate with the expansion of the Federal administrative state (especially following the so-called neoliberal policies of Reagan/Bush/Clinton)?
 1. How much do nonprofits and independent agencies depend on one another?
 1. Who is accountable for failed programs or initiatives?
 1. How is failure quantified/qualified?
4. To what extent do AGI deductibility limits affect individual giving, especially among the top 30% of AGI earners?
 1. What about the latest AGI deductibility limit of 2018?
5. How much taxes do tax exempt organizations pay via payroll or sales taxes?
6. Are there DC or other State capital lobbyists on nonprofit boards?
7. What kinds of secular special interest nonprofits are growing in number over the last 10 to 20 years? Is there a growth in assets commensurate with the increased population (per capita/organization)?
8. Do nonprofits monopolize a type of grant? or location?
 1. Can a nonprofit subsume or undermine competition in a deleterious fashion and create market conditions, in the private welfare sector, akin to those found when a corporate monopolizes an industry, product, or service?
9. If I had data akin to the current dataset for all available years, I could determine organizational life cycles and turn over rates via EINs (employer identification numbers).

IRS Data Notes (and limitations)

In 2010, the nonprofit filing threshold for Form 990 and 990-EZ increased from \$25,000 to \$50,000, limiting the data on updated organizational balances below the threshold.

“On September 9, 2008, the IRS issued temporary Income Tax Regulations, which eliminate the advance ruling process for a section 501(c)(3) organization. Under the new regulations, a new 501(c)(3) organization will be classified as a publicly supported charity, and not a private foundation, if it can show that it reasonably can be expected to be publicly supported when it applies for tax-exempt status.”

“Every organization that qualifies for tax-exempt status under Section 501(c)(3) is classified as a private foundation unless it meets one of the exceptions listed in Section 509(a).”

“Most tax-exempt organizations other than churches and certain church-related organizations are required to file an annual information return or notice with the IRS.”

Every tax exempt organization must file Form 990, 990-EZ, or 990-N at least once every 3 years to avoid automatic revocation of tax exempt status. On paper, every organization is required to file annually, regardless of receipts.

** Notes from the Council on Foundations: “Of the 1,081,891 active organizations recognized by the Internal Revenue Service (IRS) under IRC section 501(c)(3), about 26 percent filed Form 990 or Form 990-EZ returns for Tax Year 2012”

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Final Note

If you have any questions, concerns, or desire to discuss, please reach out to me.

I will be producing many more data-centric reports, so subscribe!

Thank you,

Jason