



General Government Division

B-270104

November 8, 1995

The Honorable Ernest Istook
House of Representatives

Dear Mr. Istook:

At your request we have analyzed Internal Revenue Service (IRS) Statistics of Income (SOI) data for organizations exempt under Internal Revenue Code sections 501(c)(3) through 501(c)(9) that filed IRS Form 990.¹ You specifically requested us to report 1) the number of exempt organizations receiving government grants and the amount of grants that they receive; 2) the number of 501(c)(3) grantees that report lobbying expenditures and the amount of such expenditures that they report; 3) the number of 501(c)(3) grantees whose lobbying expenditures exceed \$25,000; 4) the percent of 501(c)(3) grantees that report lobbying expenditures; 5) the percent of total 501(c)(3) lobbying expenditures that grantees account for; and 6) the number of 501(c)(4) through 501(c)(9) grantees that report expenditures for political activities and the amount of such expenditures that they report.

It should be noted that there are limitations to the IRS data. From the available data we were not able to determine the overall number of tax exempt organizations that received federal grants. Specifically, the IRS data relating to grants covered grants received from all levels of government, not just from the federal government and, therefore, the grantees we have identified may include organizations that received no federal grants. Conversely, the data did not include all federal grants received by exempt organizations. Grants received by short form (or 990EZ) filers and grants that were of direct benefit to the grantor (as opposed to grants whose primary purpose was to provide a service directly benefitting the public) are not required to be reported separately and thus could not be identified from the IRS data. As a consequence, the grantees that we have identified may not include all organizations that received federal grants.

¹It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error. The data we analyzed were for tax year 1992, the latest available. Our analyses of grant receipts and lobbying expenditures did not include organizations filing the IRS Form 990EZ as they are not required to report grant receipts as a separate line item.

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Given the imprecision of the available data, we could not quantify the significance of these limitations for our results which are provided in tables 1 through 4 of the enclosure. I trust that this information is responsive to your request. If you have any further questions, please call me on (202) 512-9110, or Jim Wozny on (202) 512-9084.

Sincerely yours,

Lynda D. Willis for

Natwar M. Gandhi
Associate Director, Tax Policy
and Administration Issues

Enclosure

(268712)

Table 1: Number of Organizations That Were Tax Exempt Under Internal Revenue Code Sections 501(c)(3) through 501(c)(9), Tax Year 1992

Type of organization	Form 990 long form filers ¹	Form 990EZ filers	Total form 990 filers	Long form filers as a percent of total form 990 filers
Charitable, religious, educational, and scientific organizations 501(c)(3)	122,563	35,378	157,941	77.6
Civic leagues and social welfare organizations 501(c)(4)	14,587	8,215	22,802	64.0
Labor, agricultural and horticultural organizations 501(c)(5)	14,222	7,209	21,431	66.4
Business leagues 501(c)(6)	17,474	6,969	24,443	71.5
Social and recreation clubs 501(c)(7)	11,397	3,818	15,215	74.9
Fraternal societies and associations 501(c)(8)	6,250	1,469	7,719	81.0
Voluntary employee beneficiary associations 501(c)(9)	9,433	518	9,951	94.8
Totals	195,926	63,576	259,502	75.5

Source: GAO analysis of data from a sample of tax exempt organizations for tax year 1992 that was compiled by SOI. It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error.

¹We used the term "long form filers" to distinguish these organizations from those that file forms 990EZ. Organizations that file forms 990EZ are not required to report grant receipts as a separate line item. An organization is allowed to file a form 990EZ if its gross receipts are less than \$100,000 and its total assets are less than \$250,000. An organization is not required to file any form 990 if its gross receipts are normally less than \$25,000.

Table 2: Information on Form 990 Long Form Filers That Reported Receiving Government Grants, Tax Year 1992¹ (Dollars in thousands)

Type of organization	Number of long form filers	Number of long form filers that reported grants	Percent of long form filers that reported grants	Amount of grants reported by long form filers
Charitable, religious, educational, and scientific organizations 501(c)(3)	122,563	40,303	32.9	\$41,081,462
Civic leagues and social welfare organizations 501(c)(4)	14,587	2,450	16.8	775,803
Labor, agricultural, and horticultural organizations 501(c)(5)	14,222	359	2.5	147,291
Business leagues 501(c)(6)	17,474	1,073	6.1	568,377
Social and recreation clubs 501(c)(7)	11,397	2	0	2,579
Fraternal societies and associations 501(c)(8)	6,250	2	0	697
Voluntary employee beneficiary associations 501(c)(9)	9,433	85	0.9	46,140
Totals	195,926	44,274	22.6	\$42,622,349

Source: GAO analysis of data from a sample of tax exempt organizations for tax year 1992 that was compiled by SOI. It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error.

¹We used the term "long form filers" to distinguish these organizations from those that file forms 990EZ. Organizations that file forms 990EZ are not required to report grant receipts as a separate line item. An organization is allowed to file a form 990EZ if its gross receipts are less than \$100,000 and its total assets are less than \$250,000. An organization is not required to file any form 990 if its gross receipts are normally less than \$25,000. Government grants include those received from any level of government; however, they do not include federal grants that are of direct benefit to the grantor.

Table 3: Information on 501(c)(3) Organizations That Filed Form 990 Long Forms And Reported Lobbying Expenditures, Tax Year 1992¹

(Dollars in thousands)

Number of long form filers that reported lobbying expenditures	2,132
Number of grantees that reported lobbying expenditures	1,029
Number of grantees that reported lobbying expenditures in excess of \$25,000	768
Amount of lobbying expenditures reported by long form filers	\$75,917
Amount of lobbying expenditures reported by grantees	\$43,156
Percent of grantees that reported lobbying expenditures	2.6
Lobbying expenditures reported by grantees as a percent of total reported lobbying expenditures	56.8

Source: GAO analysis of data from a sample of tax exempt organizations for tax year 1992 that was compiled by SOI. It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error.

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Table 4: Information on 501(c)(4) through 501(c)(9) Organizations That Filed Form 990 Long Forms And Reported Political Expenditures, Tax Year 1992¹ (Dollars in thousands)

Type of organization	Amount of political expenditures ²	Number of organizations that reported political expenditures	Amount of political expenditures reported by grantees	Number of grantees that reported political expenditures
Civic leagues and social welfare organizations 501(c)(4)	\$1,387	23	\$5	1
Labor, agricultural, and horticultural organizations 501(c)(5)	11,955	783	2,358	35
Business leagues 501(c)(6)	6,316	337	82	5
Social and recreation clubs 501(c)(7)	3	28	0	0
Fraternal societies and associations 501(c)(8)	0	0	0	0
Voluntary employee beneficiary associations 501(c)(9)	0	0	0	0
Totals	\$19,661	1,171	\$2,445	41

Source: GAO analysis of data from a sample of tax exempt organizations for tax year 1992 that was compiled by SOI. It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error.

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²Political expenditures are intended to influence the selection, nomination, election, or appointment of anyone to a Federal, state, or local public office, or office in a political organization, or the election of Presidential or Vice Presidential electors. Only organizations with political expenditures and net investment income over \$100 must report political expenditures. 501(c)(3) organizations are prohibited from making political expenditures.

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