A History of the Tax-Exempt Sector: An SOI Perspective

by Paul Arnsberger, Melissa Ludlum, Margaret Riley, and Mark Stanton

The origins of the tax-exempt sector in the United States predate the formation of the republic. Absent an established Governmental framework, the early settlers formed charitable and other "voluntary" associations, such as hospitals, fire departments, and orphanages, to confront a wide variety of issues and ills of the era. These types of voluntary organizations have continued to thrive in the United States for centuries. In 1831, during his historic visit to the United States, Alexis de Tocqueville observed:

> "Americans of all ages, conditions, and dispositions constantly unite together. Not only do they have commercial and industrial associations to which all belong but also a thousand other kinds, religious, moral, serious, futile…Americans group together to hold fetes, found seminaries, build inns, construct churches, distribute books…They establish prisons, schools by the same method…I have frequently admired the endless skill with which the inhabitants of the United States manage to set a common aim to the efforts of a great number of men and to persuade them to pursue it voluntarily."[1]

Voluntary associations comprised two distinct types of organizations—public-serving and member-serving.[2,3] Early public-serving, or charitable, organizations included schools, churches, and other voluntary organizations designed to provide services to the public. The popularity of voluntary charitable organizations in the United States, even in the midst of strengthening State and Federal governments, suggests that perhaps these organizations, with their well-established structures and programs, were able to fill a gap in social welfare programs where the young Government's efforts proved insufficient. Another suggestion is that many early Americans embraced charitable organizations over Government programs because they feared "the rebirth of monarchy, or bureaucracy."[4]

By the end of the 19th century, private philanthropy, as typified by the modern private foundation, had joined voluntary associations as an important component of the public-serving charitable sector of the United States. The foundation originated from the charitable trust, a tool for giving that became widely used in this period.[5] In the early 20th century, a number of American industrialists, wishing to direct their newly acquired wealth toward a broad range of altruistic endeavors, created private foundations that remain prominent today. Unlike other early charitable organizations, private foundations generally were controlled and funded by a single source, such as an individual, corporation, or family. Andrew Carnegie articulated the vision of these early philanthropists in his essay, "The Gospel of Wealth," where he argued that a wealthy individual should "consider all surplus revenues which come to him simply as trust funds, which he is called upon to administer, and strictly bound as a matter of duty to administer in the manner which, in his judgment, is best calculated to produce the most beneficial results for the community…"[6]

Member-serving associations, including fraternal societies, were also popular among early Americans. The Freemasons, for example, have roots in 17th century England and count a number of this Nation's founding fathers as members. By the 19th century, mutual benefit associations, serving members in areas such as banking and insurance, began to flourish. Additionally, labor and agricultural organizations, established to promote the interests of their members, started to take root across the Nation around this time.

Voluntary associations and philanthropic vehicles continue to coexist and forge a relationship with

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[1] Tocqueville, Alexis de, *Democracy in America* (2003), Penguin Books, London, England, p. 596

[2] For the most part, public-serving organizations are those that are now described under section 501(c)(3) of the Internal Revenue Code. Member-serving organizations are those covered under other subsections of 501(c). Appendix A at the end of this article provides detailed information on organizations exempt under section 501(c).

[3] See: Salamon, Lester M. (1992), *America's Nonprofit Sector: A Primer*, The Foundation Center, New York, NY, p. 14.

[4] Ibid., p. 7.

[5] Chester, Ronald (1982), *Inheritance, Wealth, and Society*, Indiana University Press, Bloomington, Indiana, p. 95.

[6] Carnegie, Andrew (2001), "The Gospel of Wealth," *The Nature of the Nonprofit Sector*, editor J. Steven Ott. Westview Press, Boulder, CO, p. 68.

Government that remains into the 21st century. A significant component of this relationship is Government's recognition of the importance of the charitable and voluntary sector, and the support of its organizations in the form of an exemption from income and certain other taxes. This article explores the legislative history of tax exemption and presents historical data that highlight recent financial trends among tax-exempt organizations.

Legislative History of the Tax-Exempt Sector

The structure of tax exemption granted to the charitable and voluntary sector outlined in the United States Tax Code was developed through legislation enacted between 1894 and 1969. Over that 75-year period, Congress established the basic principles and requirements of tax exemption, identified business activities of tax-exempt organizations that were subject to taxation, and defined and regulated private foundations as a subset of tax-exempt organizations. Figure A shows a timeline of major legislative actions relevant to tax-exempt organizations, while a more complete history can be found in Appendix B at the end of this article.

Early Legislation, 1894-1936

The privileged tax treatment that the Government grants to charitable and member-serving organizations can be traced to the earliest versions of United States tax law. Early tax-exemption regulations developed around three major principles. First, organizations that operated for charitable purposes were granted exemption from the Federal income tax. Second, charitable organizations were required to be free of private inurement—that is, a charitable organization's income could not be used to benefit an individual related to the organization. Finally, an income tax deduction for contributions, designed to encourage charitable giving, was developed.

The Wilson-Gorman Tariff Act of 1894, one of the earliest statutory references to the tax-exempt status enjoyed by charitable organizations, established the requirement that tax-exempt, charitable organizations operate for charitable purposes. While establishing a flat 2-percent tax on corporate income, the act stated "nothing herein contained shall apply to… corporations, companies, or associations organized and conducted solely for charitable, religious, or

Figure A

Major Exempt Organization Legislation, 1894-Present

- **Tariff Act of 1894** - Earliest statutory reference to tax exemption for certain organizations.
- **Revenue Act of 1909** - Introduced language prohibiting private inurement.
- **Revenue Act of 1913** - Established income tax system with tax exemption for certain organizations.
- **Revenue Act of 1917** - Introduced individual income tax deduction for charitable donations.
- **Revenue Act of 1918** - Estate tax deduction for charitable bequests added.
- **Revenue Act of 1934** - Set limits on lobbying activities by charitable organizations.
- **Revenue Act of 1936** - Introduced corporate tax deduction for charitable contributions.
- **Revenue Act of 1943** - Required first Forms 990 to be filed.
- **Revenue Act of 1950** - Established unrelated business income tax.
- **Revenue Act of 1954** - Modern tax code established, including section 501(c) for exempt organizations. Also, limits on political activities established.
- **Revenue Act of 1964** - Raised the limitation on deduction for donations to public charities to 30 percent of adjusted gross income (AGI).
- **Tax Reform Act of 1969** - Established private foundation rules, including a minimum charitable payout requirement and a 4-percent excise tax on net investment income, and raised the limitation on the deduction for donations to operating private foundations and public charities to 50 percent of AGI.
- **Revenue Act of 1978** - Reduced the net investment income excise tax for private foundations to 2 percent.
- **Deficit Reduction Act of 1984** - Raised the limitation on the deduction for donations to nonoperating private foundations to 30 percent of AGI and introduced other more favorable rules for donors to these organizations. Also, exempted certain operating foundations from the net investment income tax and reduced the tax to 1 percent for foundations meeting other requirements.
- **Revenue Reconciliation Act of 1993** - Imposed a proxy tax on certain lobbying and political expenditures made by membership organizations.
- **Tax Payer Bill of Rights 2 (1996)** - Introduced intermediate sanction rules for excess benefit transactions.
- **Tax Payer Relief Act of 1997** - Revoked tax exemption of certain organizations providing commercial-type insurance.
- **Pension Protection Act of 2006** - Required section 501(c)(3) organizations to make their Forms 990-T available for public inspection.

NOTE: For more extensive information, see Appendix B.

educational purposes, including fraternal beneficiary associations." Though the law was declared unconstitutional by the Supreme Court in 1895, the exemption language contained in the act would provide the cornerstone for tax legislation involving charitable organizations for the next century.

The Revenue Act of 1909 mirrored and expanded the language from the 1894 act. Under this statute, tax exemption was granted to "any corporation or association organized and operated exclusively for religious, charitable, or educational purposes, no part of the net income of which inures to the benefit of any private stockholder or individual." This important addition set forth the idea that tax-exempt charitable organizations should be free of private inurement—in other words, nonprofit.

Ratification of the Sixteenth Amendment granted Congress the power to levy income tax. The subsequent Revenue Act of 1913 established the modern Federal income tax system. For charitable organizations, the act used identical language as that found in the Tariff Acts of 1894 and 1909 with regard to charitable purpose and private inurement.

The Revenue Act of 1917 established, for the first time, an individual income tax deduction for contributions made to tax-exempt charitable organizations. This deduction was conceived as a way to encourage charitable contributions at a time when income tax rates were rising in order to fund World War I. One year later, the Revenue Act of 1918 provided that charitable bequests were entitled to a similar deduction on estate tax returns. Finally, corporations were able to claim the charitable deduction beginning in 1936.

The Revenue Act of 1950

Before the 1950s, tax-exempt organizations could earn tax-free income from both mission-related activities and commercial business activities that were unrelated to the purpose for which they were exempt, as long as they used the net profits for exempt purposes. However, in the 1940s, concerns grew in Congress over the perception that tax-exempt organizations were permitted an unfair competitive advantage over taxable entities. As a result, Congress established the "unrelated business income tax" (UBIT) as part of the Revenue Act of 1950. For tax years beginning after December 31, 1950, UBIT was imposed on the "unrelated business income" (UBI) of charitable organizations (except churches); labor and agricultural organizations; chambers of commerce, business leagues, and real estate boards; certain trusts; and certain title holding companies.[7]

Income was considered UBI if it was produced from an activity deemed a "trade or business" that was "regularly carried on" and was not "substantially related" to the organization's exempt purpose(s), regardless of whether or not the profits from the unrelated trade or business were used solely for exempt purposes. Passive income and certain gains and losses from the disposition of property were not subject to tax.

The Revenue Act of 1950 addressed several other issues regarding the unrelated activities of tax-exempt organizations. Tax exemption was no longer permitted to "feeder" organizations, which did not conduct any charitable activities, but rather operated commercial enterprises from which they passed income to a charitable organization. In addition, income from debt-financed real estate sale-lease-back activities was subject to UBIT. In these cases, tax-exempt organizations purchased real estate with borrowed funds, leased the property back to the owner, and used the tax-free rental income to pay off the debt.[8]

The Revenue Act of 1950, and additional changes made under the Tax Reform Act of 1969, discussed in the following section, formed the contemporary structure for the unrelated business taxation of tax-exempt organizations.

Tax Reform Act of 1969

By the 1960s, there was a growing perception among lawmakers that private foundations, with their small networks of financers and administrators, were less accountable to the public than traditional charities. These concerns were addressed with the Tax Reform Act of 1969 (TRA69), which introduced sweeping reforms to the charitable sector. TRA69 also significantly expanded the rules governing unrelated business income taxation of tax-exempt entities.

The first explicit definition of private foundations, for tax purposes, was included in TRA69. This legislation defined a foundation as a charitable orga-

[7] In 1951, Congress extended the UBIT to the unrelated business income of State and municipally owned colleges and universities, to correct for an omission from the 1950 act.

[8] Staff report of the Joint Committee on Taxation, "Historical Development and Present Law of Federal Tax Exemption for Charities and Other Tax-Exempt Organizations" (JCX-29-05) (April 19, 2005).

nization that did not engage in inherently public activities, test for public safety, receive substantial support from a wide array of public sources, or operate in support of any organization that met any of these three requirements.[9] Further, the legislation created two subclasses of private foundations—nonoperating and operating. Nonoperating foundations, which represented the majority of all private foundations, were defined as primarily grantmaking organizations. Conversely, operating foundations were those that operated charitable programs in a manner similar to that of public charities.

TRA69 established an array of more stringent requirements specific to private foundations. These "private foundation rules" outlined two annual requirements and a variety of "prohibited activities" that were considered to be contrary to the public interest. First, TRA69 established an annual excise tax on investment income. This provision was intended to compel private foundations to "share some of the burden of paying the cost of government," particularly the enforcement of regulations related to the tax-exempt sector.[10] Second, nonoperating foundations were required to distribute a minimum amount for charitable purposes each year. Further, private foundations that failed to meet the minimum charitable distribution requirement or engaged in certain prohibited activities were subject to taxes and other sanctions.

TRA69 also increased the existing charitable deduction limits for individual donors and sharpened the definitions of the organizations to which contributions were deductible. Under the Revenue Act of 1964, individuals could deduct contributions made to public charities up to 30 percent of adjusted gross income (AGI). The new regulations enacted under TRA69 increased the maximum deduction limitation for cash and ordinary income contributions to 50 percent for public charities and operating foundations. Most nonoperating private foundations remained subject to a lower 20-percent limitation.[11]

TRA69 also expanded the tax on unrelated business income, extending the tax to all tax-exempt organizations described in IRC sections 501(c) and 401(a) (except United States instrumentalities), and including churches for the first time. Additionally, TRA69 expanded the taxation of debt-financed income to include forms of income other than rents from real estate sale-leaseback arrangements.[12] Since 1969, Congress has made a number of changes to the UBIT statutes. However, the rules on unrelated business taxation of tax-exempt organizations established by the Revenue Act of 1950 and TRA69 have remained largely intact.

Other Legislation, 1970-2007

While the underlying structure of tax exemption for the charitable and voluntary sector has changed little since the passage of TRA69, subsequent legislation has introduced a number of modifications. These include adjustments to the private foundation net investment income tax rates and to the excise tax rates on charitable organizations that engage in prohibited activities. Further changes have provided new exceptions to UBIT taxation for specified activities, tightened the rules pertaining to the taxation of payments received from subsidiaries, and required unrelated business income tax returns filed by IRC section 501(c)(3) organizations to be made publicly available.

Overview of the Statistics of Income Exempt Organization Program

The Internal Revenue Service provides, by Congressional mandate, statistics and microdata derived from information and tax returns filed with IRS. To fulfill this requirement, the Statistics of Income (SOI) division has conducted annual studies of organizations exempt under IRC section 501(c)(3) for every tax year since 1985.[13] Currently, SOI collects information from stratified random samples of Forms 990, 990-PF, 990-T, and the population of Forms 4720.

[9] Organizations that conduct "inherently public activities" include churches, schools, hospitals, and Governmental units of the United States. For additional information, see Richardson, Virginia G. and John Francis Reilly, "Public Charity or Private Foundation Status Issues under 509(a)(1)-(4), 4942(j)(3), and 507, Fiscal Year 2003," Exempt Organizations Continuing Professional Education. This article is available at www.irs.gov/pub/irs-tege/eotopicb03.pdf.

[10] Staff report of the Joint Committee on Taxation, "General Explanation of the Tax Reform Act of 1969" (JCS-16-70) (December 3, 1970), p. 29.

[11] Deduction limitations for cash and ordinary income contributions to nonoperating foundations later were increased to 30 percent of AGI as part of the Deficit Reduction Act of 1984.

[12] TRA69 expanded taxable debt-financed income to include interest, dividends, other rents, royalties, and certain gains and losses from any type of property, if produced from financial vehicles acquired with borrowed funds.

[13] The first SOI exempt organization studies were based on Forms 990 filed by tax-exempt organizations for Tax Years 1943 and 1946. Data from Forms 990-PF filed by private foundations were first collected for Tax Year 1974.

Keeping Pace with Technology

Since 1918, Statistics of Income (SOI) has collected, compiled, and published information from tax returns for its statistical research studies. Over the years, SOI has made incremental improvements in data processing methods to keep pace with technological advances. The relatively small size of the statistical samples used for SOI's exempt organization (EO) research studies has made these studies ideal for piloting major innovations in return processing, which have been subsequently adopted by other SOI studies.

The first modern SOI exempt organization study was of private foundation information returns, Forms 990-PF, filed for Tax Year 1974. Abstracting and editing data from these information returns relied on a tedious process. First, IRS tax examiners recorded data items from the returns on preprinted forms, called edit sheets. Next, data from these edit sheets were transcribed, read into a mainframe computer, and subjected to data quality and consistency tests. Items that failed the tests were recorded on paper listings, called error registers, which were returned to tax examiners. Based on instructions provided by SOI analysts, tax examiners made handwritten corrections on the listings. These corrections were transcribed, and the data were subjected to further testing. The process was repeated until errors were no longer present. These procedures were quite time-consuming and costly compared to present-day processing.

The Tax Year 1982 Form 990-PF study was a pilot for developing a new online, interactive system of editing, testing, and error resolution. With the new system, tax examiners keyed return information directly into a database via computer screens that were facsimiles of the Form 990-PF. Failed quality and consistency tests were communicated to the user at the time of entry, and corrections were made and retested immediately. The online system streamlined the edit process and improved production rates, and, eventually, all SOI studies adopted similar applications.

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Tax-exempt organizations, other than private foundations, file Form 990, *Return of Organization Exempt from Income Tax*; private foundations file Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*. Forms 990 and 990-PF are used by these organizations to report standard financial information, as well as information regarding compliance with the regulations that govern their tax-exemption. Charitable and other types of tax-exempt organizations report any unrelated business income and taxes on Form 990-T, *Exempt Organization Business Income Tax Return*. Private foundations, public charities, and split-interest and charitable trusts use Form 4720, *Return of Certain Excise Taxes on Charities and Other Persons under Chapters 41 and 42 of the Internal Revenue Code*, to calculate and pay taxes on prohibited activities and, for private foundations, failure to meet the minimum annual distribution requirement. SOI produces a variety of statistical tables and articles annually for all of the tax-exempt organization programs. Also annually, microdata files that include all information collected from the Form 990 and Form 990-PF samples are made available to the public on the IRS Web site, www.irs.gov/taxstats. Microdata derived from Forms 4720 and the majority of Forms 990-T cannot be disclosed to the public.[14]

SOI samples approximately 10 percent of all Forms 990 and 990-PF, and about 20 percent of all Forms 990-T filed for a given tax year.[15] For any designated tax year, tax-exempt organizations have various 12-month fiscal periods that collectively span 2 calendar years. To ensure complete coverage of a

[14] Under the Pension Protection Act of 2006, IRC section 501(c)(3) public charities and private foundations reporting unrelated business income were required to make their Forms 990-T, *Exempt Organization Business Income Tax Returns*, available for public inspection. However, IRS was not authorized under the Pension Act to disclose this information to the public. The Tax Technical Corrections Act of 2007 corrected for this oversight and authorized IRS to disclose Form 990-T information reported by section 501(c)(3) organizations, retroactive to returns filed after August 17, 2006, the date of enactment of the Pension Act.

[15] For detailed information on Statistics of Income sampling methodology for producing population estimates, see the general Appendix, located near the back of this issue of the *SOI Bulletin*.

single tax year, SOI draws samples of Form 990-series returns over a 2-year timeframe. For example, the Tax Year 2004 studies include returns filed for Tax Year 2004 in Calendar Years 2005 and 2006. The SOI study of Forms 4720 includes data collected for the population of Forms 4720 filed over a calendar year, which may include various tax years.

The SOI files contain most financial items from each return, as well as a number of additional fields dedicated to information about the organizations' structures and activities. The SOI staff enter data into an online system, which identifies filer and other errors that are corrected during the data entry process. Often, supplemental information is included on schedules and other attachments. Where appropriate, information from these attachments is used to adjust or supplement data reported by the filer.

The following sections provide highlights of historical data for charitable and other tax-exempt organizations based on the information and tax returns they filed. The data represent every year for which continuous SOI data are available. This includes Tax Years 1985 through 2004 for public charities and private foundations, filing Forms 990, and 990-PF, respectively. For organizations that file the Form 990-T, data are presented for Tax Years 1990 through 2004. Data are also shown for excise taxes reported on Forms 4720 for Calendar Years 2003 through 2006.

Public Charity and Private Foundation Historical Data, 1985-2004

The charitable sector, comprising both public charities and private foundations exempt from income tax under IRC section 501(c)(3), is a substantial and growing portion of the overall economy. The aggregate book value of assets, as reported by charitable organizations that filed IRS information returns for Tax Year 2004, was $2.5 trillion, a real increase of 222 percent over the total reported for Tax Year 1985.[16] These organizations also reported 171 percent more revenue for Tax Year 2004 than for Tax Year 1985. Public charities and private foundations directed much of this additional revenue into charitable expenditures such as program service activities and grants. Total charitable expenditures reported by these organizations for Tax Year 2004 were 182 percent larger than those reported for Tax Year 1985 and experienced a real annual rate of growth of nearly 6 percent.[17] In contrast, Gross Domestic Product grew at a real annual rate of 3 percent over the period.[18] Figure B shows the cumulative growth in charitable expenditures and GDP for Tax Years 1985 through 2004.

The Seattle-based Bill and Melinda Gates Foundation, currently the largest foundation in the world, was founded in Tax Year 1999 with an initial endowment of $15.8 billion. By Tax Year 2004, the foundation's assets were valued at $28.8 billion, or nearly 6 percent of the aggregate fair market value of total assets held by all private foundations. The $1.3 billion in contributions, gifts, and grants that the foundation distributed in Tax Year 2004 represented 4 percent of the aggregate amount of contributions, gifts, and grants distributed by all private foundations for the year.

Public Charities

Public charities filed over 276,000 information returns for Tax Year 2004. These organizations held more than $2.0 trillion in assets and reported nearly $1.2 trillion in revenue, 70 percent of which came from program services. The statistics reported in this section are based on data compiled from Form 990 and Form 990-EZ, the short form version of the information return that may be completed by smaller organizations.

In order to qualify for tax-exempt status, an organization must show that its purpose serves the public good, as opposed to a private interest. The activities of public charities are limited in that they must further one or more of the purposes for which they were granted tax-exempt status. Organizations that are exempt under IRC section 501(c)(3) are those whose purposes are religious, charitable, scientific, literary, or educational. In practice, these categories cover a broad range of activities. Examples of the varied

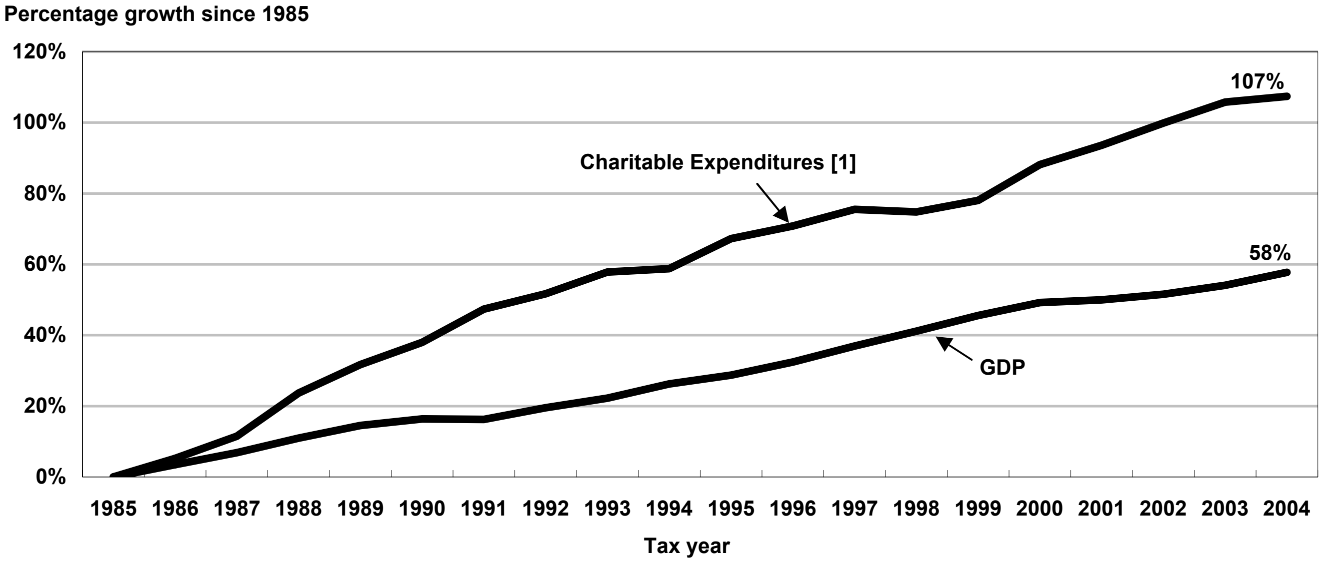
[16] Data presented in constant dollars were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). Tax Year 2004 is used as the base year for these adjustments. The indexes are available from BEA's Web site, www.bea.gov.

[17] For purposes of analysis, "charitable expenditures" are defined as the sum of program service expenses from Form 990 and disbursements for charitable purposes from Form 990-PF.

[18] Growth rates were derived from the exponential formula for growth, $y=b*m^x$.

Figure B

Real Growth in Gross Domestic Product and Charitable Expenditures, Cumulative Percentage, Tax Years 1985-2004



[1] Charitable expenditures are defined as the sum of program service expenses from Form 990 and charitable expenses (disbursements for charitable purposes) from Form 990-PF. Public charity data exclude Form 990-EZ filers, most organizations with gross receipts less than $25,000 in current dollars, as well as most churches, and certain other religious organizations.

NOTE: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

exempt purposes of these public charities include nonprofit hospitals, educational institutions, youth organizations, community fundraising campaigns, local housing organizations, historical societies, and environmental preservation groups.

The universe of public charities has changed dramatically over the past 2 decades. Figure C shows that, in 1985, the IRS Master File listed approximately 335,000 active public charities, tax-exempt under IRC section 501(c)(3). By 2004, this number had nearly tripled to 933,000. Not all public charities are included in this figure because most churches and certain other religious organizations need not apply for recognition of tax exemption, unless they specifically request an IRS ruling.

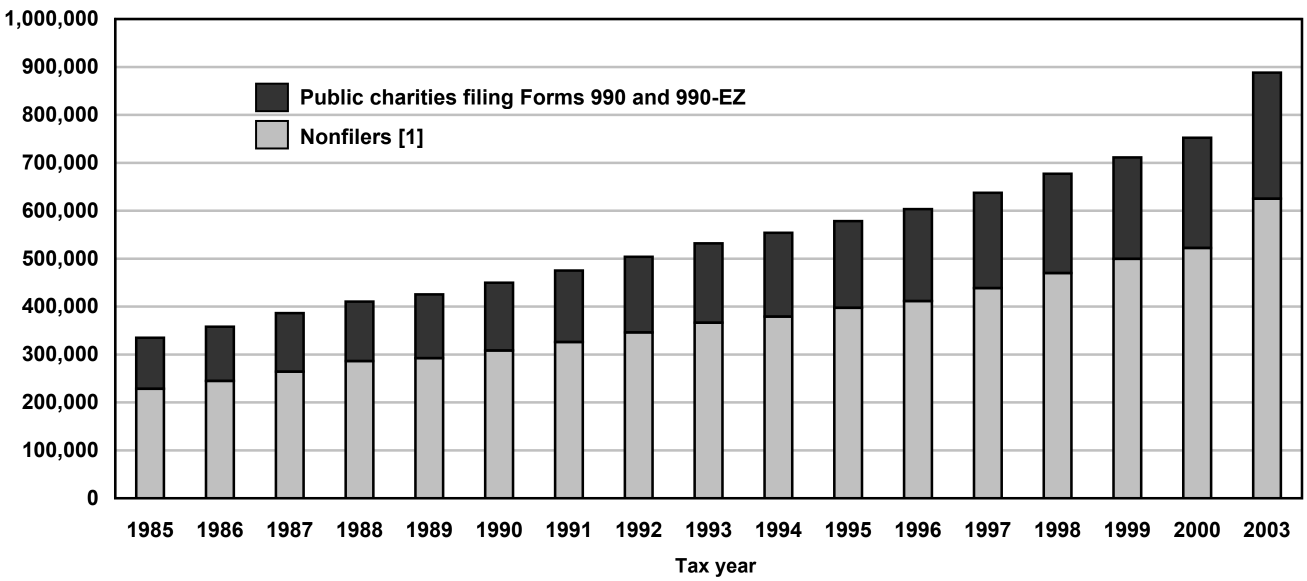
Of the public charities on the IRS Master File, only a fraction must report financial data to the IRS. In addition to churches, organizations with gross receipts less than $25,000 are not required to file annual Forms 990 or 990-EZ. Public charities filed 276,191 information returns with the IRS for Tax Year 2004, 159 percent more than for Tax Year 1985. The difference between the number of active public charities on the IRS Master File and those that filed information returns for Tax Years 1985 through 2004 is illustrated in Figure C.

Public Charity Growth

The 20-year period between Tax Years 1985 and 2004 was one of significant and steady growth for IRC section 501(c)(3) public charities. Figure D shows that, with one notable exception, all of the major financial categories on Forms 990 and 990-EZ—total assets, total liabilities, total revenue, and total expenses—increased in real terms in each of the years during this period. The lone decrease, between Tax Years 1997 and 1998, can be attributed to the absence of Teachers Insurance and Annuity Association of America (TIAA) and College Retirement Equities Fund (CREF), two very large teachers' pension organizations that lost their tax exemption as a result of the Taxpayer Relief Act of 1997.

For the most part, components of the major financial categories featured in Figure D also showed steady increases over the 20-year period. Table 2, located at the end of this article, shows that the two major sources of revenue for public charities—program service revenue and contributions, gifts, and

Figure C

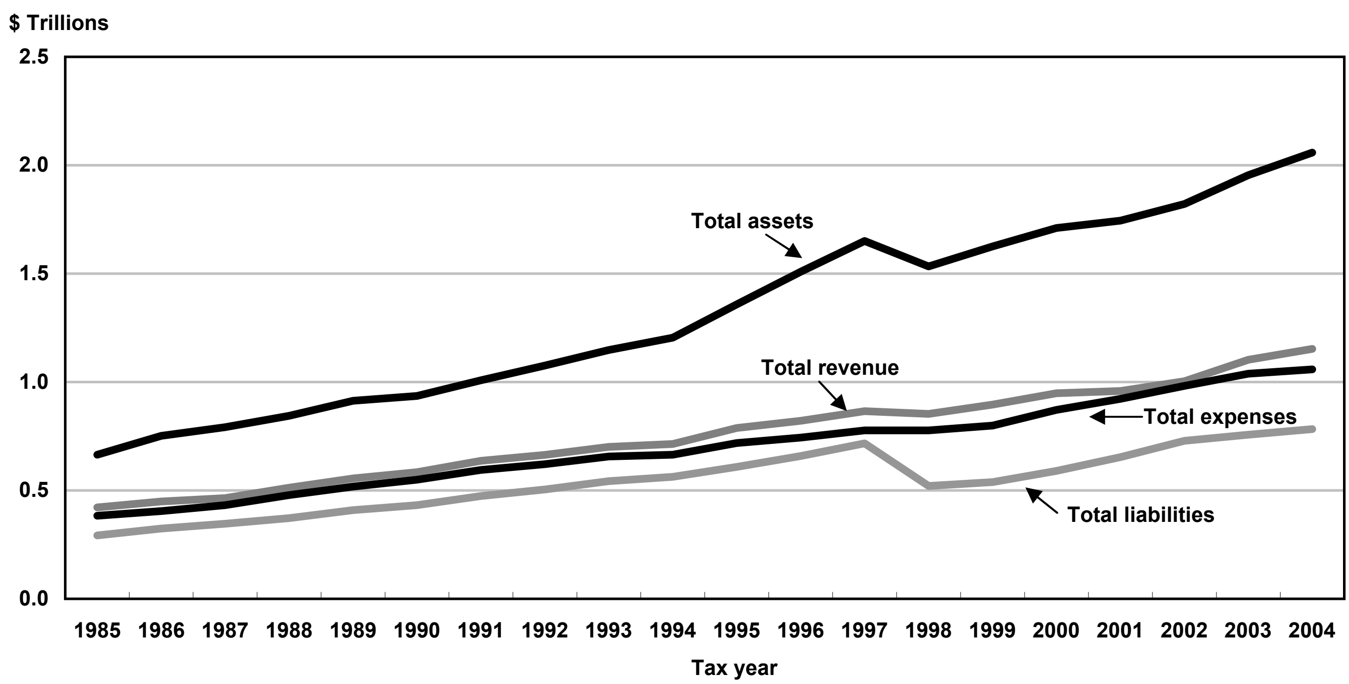


[1] Nonfilers include organizations on the IRS Master file with gross receipts below the $25,000 filing threshold, churches and certain other religious organizations which are not required to file, as well as noncompliant organizations.

NOTE: The number of organizations on the IRS Master File figure was supplied by IRS Tax Exempt Government Entities and does not include private foundations which are required to file Forms 990-PF. The number of organizations filing Forms 990 and 990-EZ are SOI estimates based on samples.

Figure D

Public Charity Growth, Selected Financial Items, in Constant Dollars, Tax Years 1985-2004



NOTES: Data are from Forms 990 (and, beginning with Tax Year 1989, Forms 990-EZ) for nonprofit charitable organizations that are tax-exempt under Internal Revenue Code section 501(c)(3) and exclude private foundations, most organizations with receipts less than $25,000 in current dollars, as well as most churches, and certain other types of religious organizations. Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

grants—increased, in real terms, between each of Tax Years 1985 through 2004. However, other components of revenue were more volatile. For example, investment income, which includes interest from short-term investments and dividends and interest from securities, showed a net increase of 27 percent over the 20-year period, despite a decline of 38 percent between Tax Years 1999 and 2002.

Even though they are considered nonprofit, public charities use net income, the difference between total revenue and total expenses, to expand future programs and increase endowments. Total revenue reported by public charities exceeded total expenses for each tax year between 1985 and 2004, resulting in annual amounts of positive net income. However, unlike other financial variables, net income did not increase steadily over this period. The highest aggregate real net income was reported for Tax Year 1999, over $96 billion. This was followed by a 3-year period in which total expenses increased at a rate faster than total revenue. The result was a 20-year low for aggregate net income: less than $22 billion for Tax Year 2002.

Table 2 at the end of this article presents selected data, in both current and constant dollars, from Forms 990 and 990-EZ filed by public charities for Tax Years 1985 and 2004. Total assets held by these public charities grew, in real terms, by 210 percent, from $665.0 billion in 1985 to $2.1 trillion in 2004. Total revenue and total expenses showed similar trends over the 20-period, with real increases of 174 percent and 176 percent, respectively

The Top Ten Public Charities

Figure E shows the top ten public charities, in terms of total assets, for Tax Years 1985 and 2004. For Tax Year 1985 the top ten organizations reported $107.7 billion in assets. This figure represented over 16 percent of the total assets reported by all IRC section 501(c)(3) public charities for that year. By a significant margin, the largest two organizations for Tax Year 1985 were TIAA and CREF, reporting $36.3 billion and $37.9 billion in assets, respectively, a combined 11 percent of total assets. The remaining organizations include nonprofit hospitals and universities, as well as Commonfund, an organization that manages nonprofit endowments. The top ten for Tax Year 2004 includes many of the same organizations on the 1985 list, with the notable exception of TIAA and CREF, which were no longer tax-exempt. These ten organizations reported $183.4 billion in assets, or 9 percent of the total of all reporting organizations for Tax Year 2004.[19]

Private Foundation Growth

Tax Years 1985 through 2004 also represented a period of significant growth for the private foundation segment of the tax-exempt sector. The wealth realized during the technological revolution of the mid-to-late 1990s was used by a number of philan-

Figure E

Top Ten Public Charities, by Size of Total Assets, in Constant Dollars, Tax Years 1985 and 2004

[All figures are shown in billions of constant 2004 dollars]

1985		2004	
Organization	Assets	Organization	Assets
CREF	37.9	Harvard University	55.3
TIAA	36.4	Stanford University	19.0
Harvard University	8.4	Yale University	18.3
Yale University	4.6	Howard Hughes Medical Institute	16.7
Stanford University	4.5	Commonfund	16.6
Columbia University	3.4	Princeton University	13.3
Princeton University	3.3	Kaiser Foundation Hospitals	13.1
Kaiser Foundation Hospitals	3.2	Massachusetts Institute of Technology	10.9
Cornell University	3.1	Shriner's Hospital for Children	9.3
Commonfund	3.0	Columbia University	8.8

NOTES: Data are from Forms 990 for nonprofit charitable organizations that are tax-exempt under Internal Revenue Code section 501(c)(3) and exclude private foundations. Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

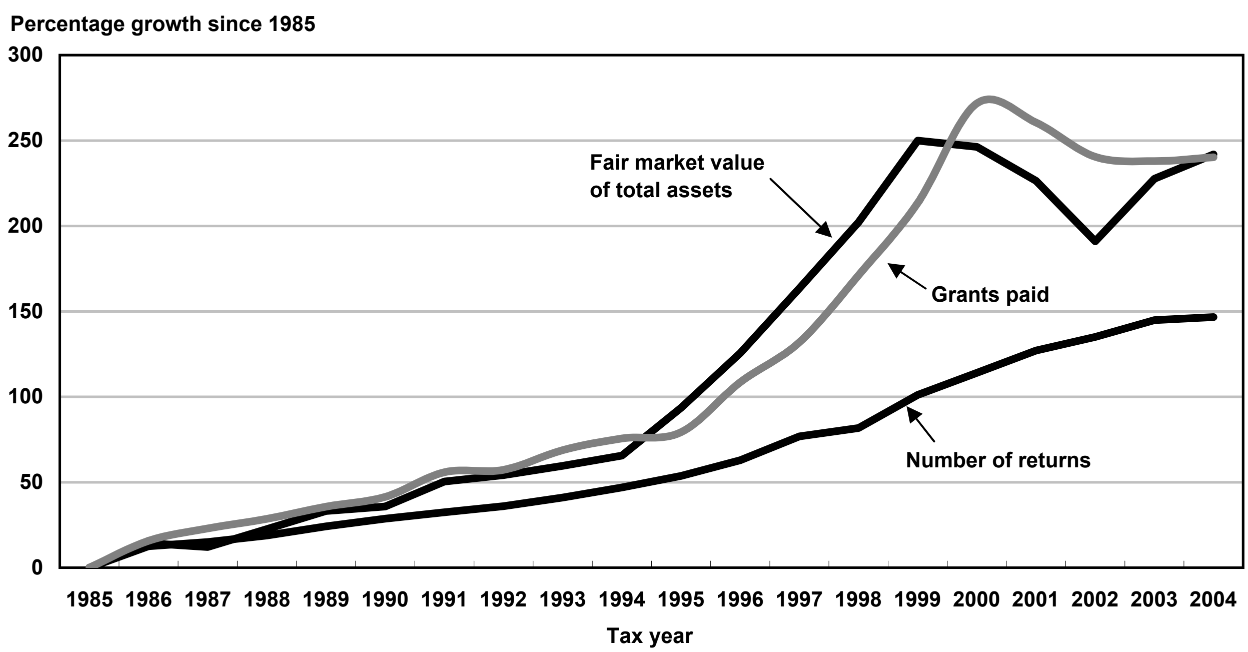
[19] When TIAA and CREF are excluded from the data for Tax Year 1985, the assets of the revised top ten, which included Emory and Vanderbilt Universities, accounted for $38.9 billion, or 7 percent of the total.

thropists to establish and fund new foundations. Additionally, flourishing investment markets benefited existing foundations, particularly those with diverse and sizeable portfolios. This prosperity led to a period of substantially increased giving levels.

Between Tax Years 1985 and 2004, real growth in foundation assets and giving outpaced the number of new foundations that entered the charitable sector. Figure F shows the percentage change in the number of returns filed, fair market value of total assets, and grants paid for each year in the period.[20] The number of private foundations increased substantially, more than doubling between 1985 and 2004. While 31,170 private foundations filed Forms 990-PF for Tax Year 1985, the number of returns filed for Tax Year 2004 was 76,897. The number of new foundations entering the sector grew at the highest rates in Tax Years 1986 and 1999. In 1986, nearly 13 percent more foundations filed Forms 990-PF than for 1985. This increase likely reflected the adoption of several provisions, enacted under the Deficit Reduction Act of 1984 (DEFRA), which allowed more favorable tax treatment for donations to private nonoperating foundations. One provision introduced in DEFRA, which permitted contributors to deduct the full fair market, rather than a reduced value, for donations of certain appreciated stock to nonoperating private foundations, expired in 1994, but was frequently extended until its permanent adoption under the Tax and Trade Relief Extension Act of 1998. Due in part to the economic growth of the mid and late-1990s and, perhaps to some extent, the adoption of the permanent provision for donations of certain appreciated stock, the largest number of new foundations was recorded for Tax Year 1999, when the number of new filers increased by 11 percent from 1998. Meanwhile, the fair market value of total assets more than tripled over the 20-year period. Asset values grew at their highest rates, 15 percent or more, annually, between Tax Years 1995 and 1999, before declining between Tax Years 2000 and 2002. Growth in foundation giving, as measured by grants paid by private foun-

Figure F

Domestic Private Foundations: Growth in Number of Returns Filed, and Real Growth in Fair Market Value of Total Assets, and Grants Paid, Cumulative Percentages, Tax Years 1985-2004



NOTE: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

[20] Data used in these analyses are for domestic private foundations and exclude Forms 990-PF filed by foundations that were organized outside of the United States.

dations for charitable purposes, nearly mirrored that of assets, also more than tripling over the 20-year period. Tax Years 1996 through 2000 represented the period of the largest growth in grants paid over the 20-year period.

Foundation Giving

Figure G shows the aggregate values of total charitable expenses and their components, in constant dollars, that private foundations reported for Tax Years 1985-2004. Total charitable expenses included grants paid, as well as operating and administrative expenses. Total charitable expenses increased from $9.7 billion, in constant dollars, to $32.1 billon over the 20-year period. Total charitable expenses experienced double-digit increases in each of Tax Years 1996-2000, growing at a real annual rate of 15 percent over the 5-year period. The real value of these expenses peaked in Tax Year 2000 before leveling off between Tax Years 2001 and 2004.

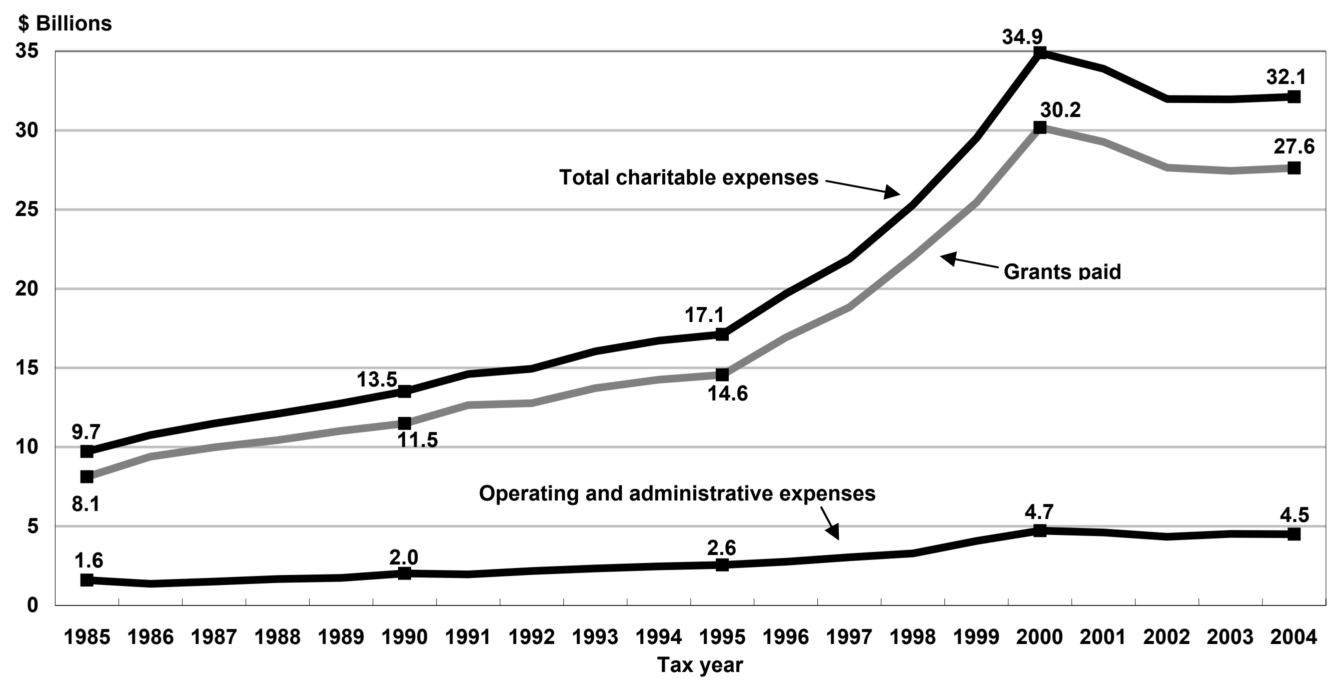
To further their charitable purposes, most private foundations pay grants to charities that operate charitable programs. Grants paid were the largest component of charitable expenditures, representing 84 percent or more of total charitable expenses for each of Tax Years 1985-2004. The aggregate amount of grants paid by private foundations was more than three times larger for Tax Year 2004 than for Tax Year 1985. Like total charitable expenses, the real value of grants paid peaked between Tax Years 1996 and 2000; the real annual growth rate for the 5-year period was 16 percent. Giving for the typical foundation, as measured by the median value of grants paid, also increased, in real terms, over the 20-year period, from $14,130 in Tax Year 1985 to $24,375 in Tax Year 2004.

Foundation Investments and Income

Foundations financed charitable giving primarily with income derived from assets, particularly investment assets, over the 20-year period. The real fair market value of foundations' total investments more than tripled between Tax Years 1985 and 2004, growing from $137.8 billion in Tax Year 1985 to $481.2 billion in Tax Year 2004 (see Figure H). Similarly, the median fair market value of investments held

Figure G

Domestic Private Foundations: Charitable Expenses and Components, in Constant Dollars, Tax Years 1985-2004



NOTE: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

Figure H

Domestic Private Foundations: Investment Assets, Revenue, Net Investment Income, and Excise Tax on Net Investment Income, in Constant Dollars, Tax Years 1985 and 2004

[Money amounts are in thousands of dollars]

Item	Tax Year 1985	Tax Year 2004	Real annual rate of growth [1]	Percentage change
	(1)	(2)	(3)	(4)
Total investment assets	137,777	481,177	6.8	249.2
Total revenue	25,423	58,668	4.5	130.8
Net investment income	15,692	34,019	4.2	116.8
Excise tax on net investment income	263	469	3.1	78.1

[1] Growth rates were derived from the exponential formula for growth $y=b*m^x$.

NOTE: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

by private foundations more than doubled over the period, growing from $159,349 in Tax Year 1985 to $333,798 in Tax Year 2004. Investment growth was most pronounced in Tax Years 1995 through 1999, when real investment values grew by more than 15 percent, annually.

Net investment income is the realized income that private foundations receive from their investments. In accordance with the regulations enacted under TRA69, private foundations pay an annual tax on this amount. For most domestic foundations, the tax equals 2 percent of net investment income.[21] Net investment income more than doubled, in real terms, between Tax Years 1985 and 2004, increasing from $15.7 billion to $34.0 billion during the period. The associated tax on net investment income also increased, but at a slower rate, growing from $263.1 million in Tax Year 1985 to $468.7 million in 2004. Net investment income and the associated tax reached their highest levels in Tax Year 1999, when they equaled $63.9 billion and $816.0 million, respectively.

Private Foundations' Excise Taxes 2003-2006

The "private foundation rules" outlined in TRA69 prohibit private foundations from engaging in "self-dealing," which is defined as conducting activities that benefit foundation managers, officers, substantial contributors, and other foundation "insiders." Foundations are also prohibited from holding excess interests in a business enterprise, investing in a manner that jeopardizes their charitable purpose, or making "taxable expenditures," which include grants to most noncharitable entities, outlays for lobbying and political activities, and other expenditures that are inconsistent with a foundation's charitable purpose. Private foundations, other charitable organizations, and individuals that engage in prohibited activities or private foundations that fail to meet the annual minimum charitable distribution requirement are required to pay a penalty excise tax on the amount of money involved using Form 4720.

Initial tax rates and tax limits for excise taxes remained constant from 2003 to 2006. Taxes on self-dealing can be imposed on both self-dealers and foundation managers. Acts of self-dealing are taxed at 5 percent of the amount involved for self-dealers, and managers pay 2.5 percent, up to a maximum of $10,000. There is a 10-percent tax imposed on private foundations that make taxable expenditures, while foundation managers pay 2.5 percent up to a maximum of $2,500. Foundations that fail to distribute a minimum amount for charitable purposes are taxed at 15 percent of the undistributed amount. Excess business holdings that are not disposed of within 90 days are taxed at a rate of 5 percent of the taxable amount of excess business holdings. For tax years beginning after August 17, 2006, the Pension Protection Act has doubled the rates and amounts of these excise taxes.

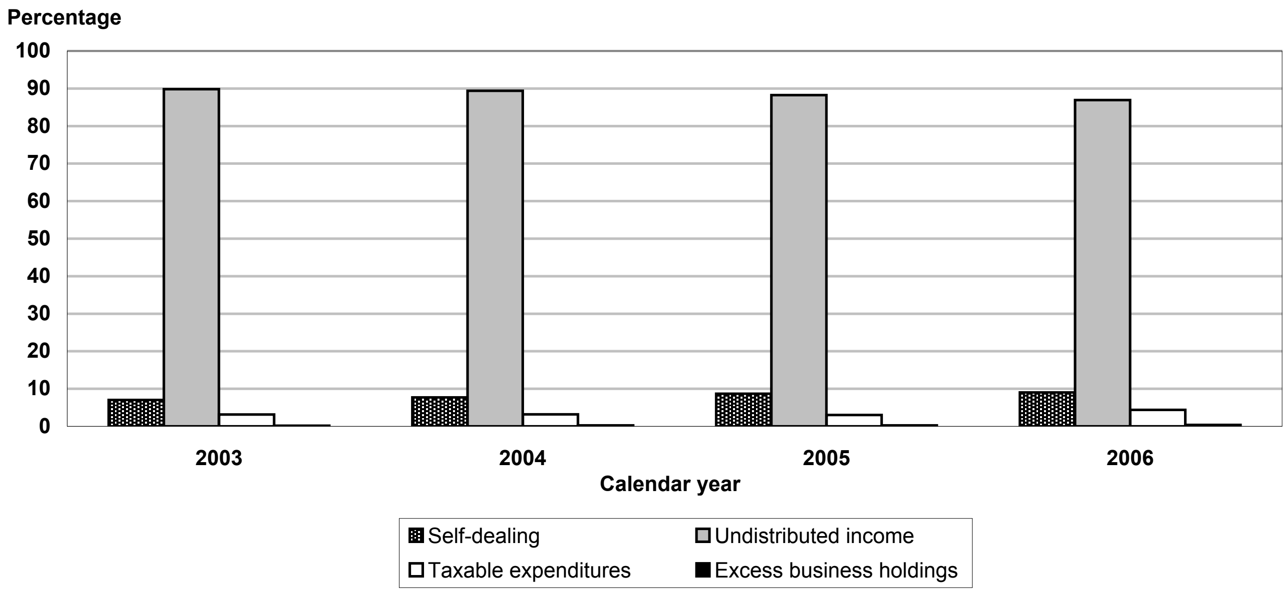
For Calendar Year 2006, private foundations reported $5.3 million in total tax liability on Form 4720, and tax on undistributed income accounted for nearly $3 million.[22] Figures I and J show that, between Calendar Years 2003 and 2006, taxes on

[21] Two reductions for the net investment income tax are available. First, foundations that demonstrate growth in their charitable giving may be eligible for a reduced 1-percent tax rate. Second, operating foundations that meet certain requirements outlined in IRC section 4940 are eligible for a total exemption from the excise tax.

[22] Data in this section represent information from Forms 4720 filed by organizations that identified themselves as Form 990-PF filers. Data for Form 990-PF filers that filed Form 4720 generally represent private foundations, but include information reported by nonexempt charitable trusts that are treated as private foundations for tax purposes.

Figure I

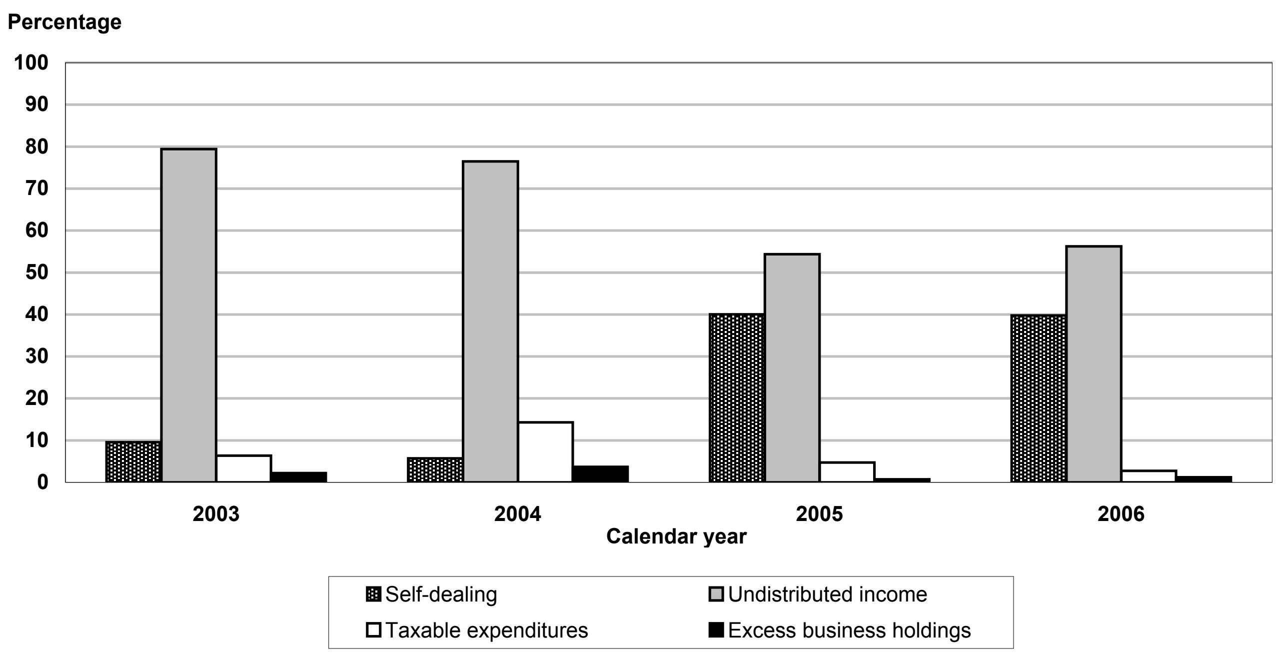
Forms 4720 Filed by Private Foundations, by Taxable Activity, Calendar Years 2003-2006



NOTE: Data represent information from Forms 4720 filed by organizations or associated individuals who identified themselves as Form 990-PF filers. These data generally represent private foundations and associated individuals, but include information reported by nonexempt charitable trusts that are treated as private foundations for tax purposes.

Figure J

Tax Reported by Private Foundations on Form 4720, by Tax Type, Calendar Years 2003-2006



NOTE: Data represent information from Forms 4720 filed by organizations or associated individuals who identified themselves as Form 990-PF filers. These data generally represent private foundations and associated individuals, but include information reported by nonexempt charitable trusts that are treated as private foundations for tax purposes.

undistributed income accounted for the majority of total taxes reported on Form 4720 and were the most frequently reported excise tax. From 2003 to 2006, undistributed income fell from $3.5 million to $3 million. The number of filers fell slightly from 1,549 in 2003 to 1,529 in 2006. In 2003, undistributed income accounted for nearly 80 percent of total excise tax reported and 90 percent of filings. By 2006, tax reported for undistributed income accounted for only 56 percent of total excise tax reported. The change in undistributed income as a percentage of total excise tax was a result of a rise in self-dealing taxes reported.

In 2003, self-dealing accounted for $400,000 of the $4.1 million total of reported excise taxes. By 2006, the amount had increased to $2.1 million of the $5.3 million total. As a percentage of total excise tax reported, self-dealing quadrupled from 10 percent to 40 percent. A small number of filers were responsible for this increase. From 2003 to 2006, the median tax on self-dealing actually fell. The number of filers increased from 119 in 2003 to 159 in 2006, although, as a percentage of total filings, self-dealing increased less than a single percentage point each year from 2003 to 2006.

Unrelated Business Income Taxation of Exempt Entities

Tax-exempt organizations may enter into a wide range of tax-free commercial activities, as long as the activities are substantially related to their tax-exempt missions; however, income from unrelated business activities is taxable. Exempt-organization business income taxation was designed to place the unrelated activities of exempt organizations on an equal footing with similar activities carried out by taxable entities. Organizations that are described in IRC sections 501(c)(2)-(27), as well as certain other types of tax-exempt organizations, must file a Form 990-T if they received $1,000 or more of gross income from business activities that were considered unrelated to the purposes for which they received tax-exempt status.[23]

Unrelated Business Income and Tax Historical Data, 1990-2004

During the 15-year period encompassing Tax Years 1990-2004, gross unrelated business income (UBI) of tax-exempt organizations increased overall, in constant dollars, but with periods of decline from 1990 to 1991 and 2000 to 2001. In real terms, the associated aggregate unrelated business income tax (UBIT) of $364.6 million reported by these organizations for 2004 was nearly three times more than the amount reported for 1990. However, between 1990 and 2004, there were periods of erratic swings in annual amounts of UBIT reported. Figures K and L present data for UBI and UBIT, grouping filers into two broad categories, tax-exempt corporations and tax-exempt trusts.[24]

Historically, exempt corporations have represented the majority of Form 990-T filers, accounting for large percentages of total gross UBI amounts reported annually. For 2004, for example, corporate entities made up 85 percent of the Form 990-T filing population and reported nearly 90 percent of total gross UBI. Exempt trusts, despite being much smaller in number and annual shares of total gross UBI reported on Form 990-T, had UBIT exceeding that of corporations for several of the years in the 1990-2004 period.

As a group, tax-exempt trust filers generally comprise pension, profit-sharing, and stock bonus plans; traditional Individual Retirement Arrangements; and voluntary employees' beneficiary associations, all of which typically report investments as their primary source of UBI. For 2004, these three types of organizations accounted for 91 percent of all tax-exempt trust Form 990-T filers. Because a high percentage of tax-exempt trust filers engage primarily in unrelated investment activities, year-to-year changes in time-series data for trust UBI and UBIT appear to closely track financial market performance, rising and falling in tandem with market fluctuations.[25] In addition, because most of

[23] See Appendix A for additional information on the types of organizations exempt under section 501(c). In addition to the organizations described under sections 501(c)(2)-(27), Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); traditional and Roth Individual Retirement Arrangements, exempt under sections 408(e) and 408A, respectively; State-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a), are also subject to unrelated business income taxation and must file Form 990-T to report gross income from business activities of $1,000 or more.

[24] "Outliers," returns which contained unique characteristics that were considered anomalous to the general population of returns filed for a given year, or returns that contained very large dollar amounts and were not filed consistently over the 15-year period, have been excluded from Figures K and L and are not taken into consideration in the historical analyses presented in this section. In all, there were nine tax-exempt entities that filed at least one return during the 1990-2004 period that was considered to be an outlier. While excluded from the gross UBI and UBIT time series shown in these figures, they are included in the data presented in Tables 6 and 7 at the end of this article.

[25] The Wilshire 5000 Total Market Index and Standard and Poor (S&P) 500 pricing information were used for analyzing possible effects of financial markets on unrelated business taxable income and tax. The Wilshire index can be accessed from www.wilshire.com/quote.html. Historical S&P 500 pricing information can be accessed from www.finance/yahoo.com.

their UBI is from investments, tax-exempt trusts were more limited than most exempt corporations in both the types and amounts of deductions they could claim to offset income, meaning that the proportion of an exempt trust's UBI that is taxable is usually higher than that for corporations. Moreover, from 1990 to 2000, trust income was subject to higher marginal tax rates than UBI earned by corporate exempt entities.[26]

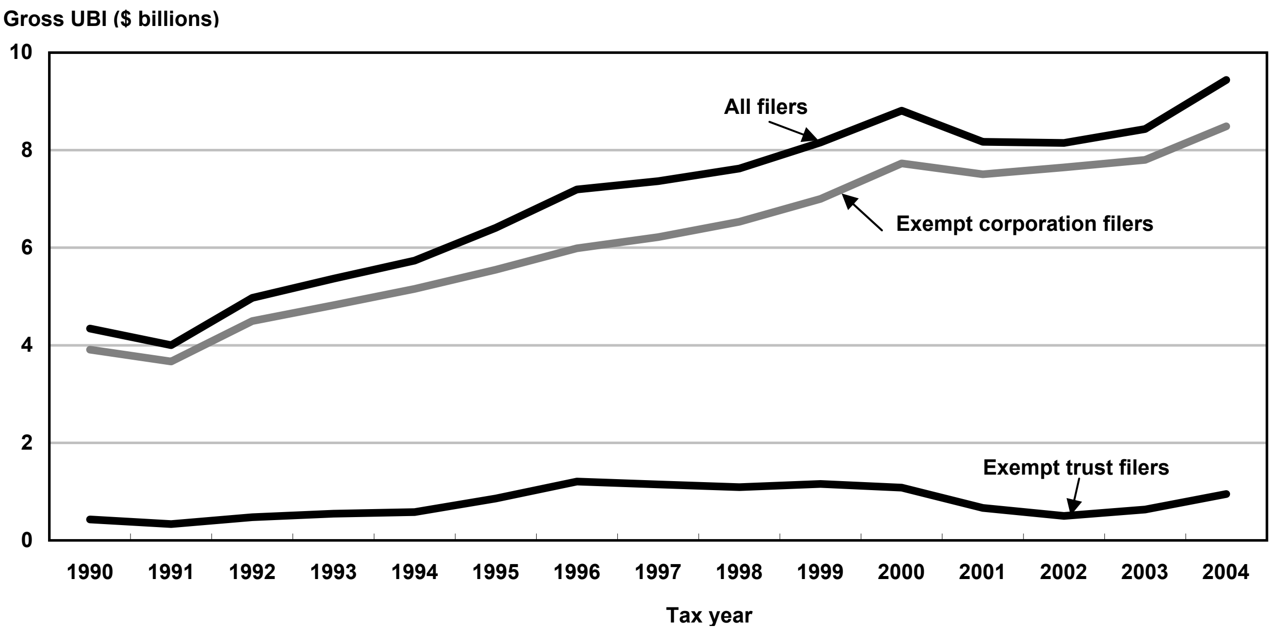
Groups of tax-exempt organizations with typically high concentrations of corporate entities include charitable organizations; civic leagues and social welfare organizations; labor, agricultural, and horticultural organizations; business leagues, chambers of commerce, and real estate boards; recreational and social clubs; and veterans' organizations. Within each of these groups, the percentage of corporate filers ranged from 97 percent for charities to 100 percent for veterans' organizations.

Figure K shows that, overall, gross UBI increased, in constant dollars, almost every year between 1990 and 2004, growing 117 percent over the 15-year period. Similarly, gross UBI reported by tax-exempt corporations, which contributed the majority of the total, experienced fairly consistent year-to-year growth, also increasing 117 percent between 1990 and 2004. In contrast, tax-exempt trusts consistently reported much smaller annual amounts of gross UBI. While the overall increase in exempt trust UBI between 1990 and 2004 was 121 percent, annual amounts were much more volatile, primarily due to fluctuations in investment markets.

Although the amount of aggregate gross UBI reported by tax-exempt organizations increased at a relatively stable rate between 1990 and 2004, the annual UBIT liability amounts shown in Figure L were much more variable.[27] While the total constant-dollar amount of UBIT reported for Tax Year 2004 was 212 percent higher than that reported for 1990, UBIT actually exceeded the 2004 amount for several of the intervening years. In addition, although exempt corporations consistently reported more gross UBI

Figure K

Gross Unrelated Business Income (UBI), in Constant 2004 Dollars, Tax Years 1990-2004



NOTE; Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

[26] The unrelated business income tax was determined based on the regular corporate or trust income tax rates in effect for an organization's tax year. Corporate and trust tax-rate schedules are provided each year in the Form 990-T return instructions.

[27] The amount of total tax liability originally reported on Forms 990-T, as stated in these statistics, may not necessarily be the amount ultimately paid to the Internal Revenue Service (IRS). Changes in tax liability assessments can be made after the original return is filed, either by the taxpayer on an amended return, by the IRS after examination, or by rulings of the U.S. tax courts after litigation.

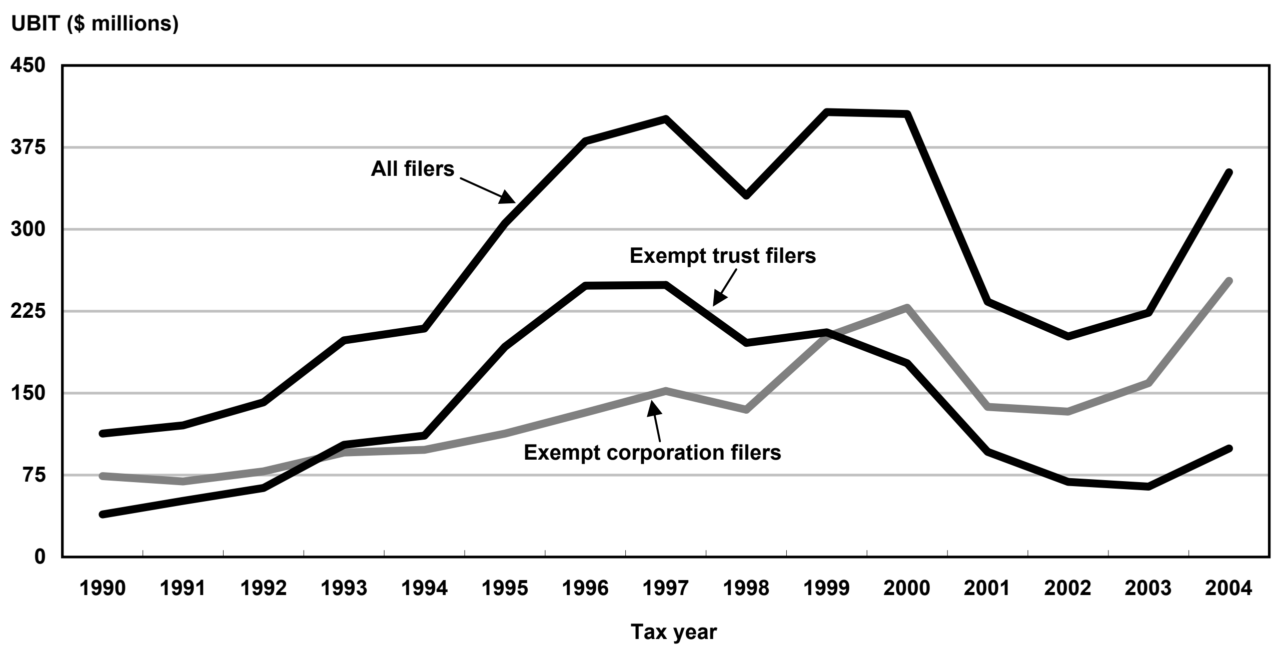
than exempt trusts, this pattern did not hold for UBIT reported by these two types of entities. Corporate UBIT exceeded trust UBIT for the years 1990-1992 and 2000-2004, but trust UBIT was greater from 1993-1999.

Sharp declines in UBIT, in real terms, occurred for Tax Years 1998 and 2001 for all types of organizations shown in Figure L, reflecting a number of factors, primarily volatility in financial markets. Between 1997 and 1998, tax-exempt corporations and trusts both reported aggregate total deductions that increased at rates higher than those at which aggregate gross UBI increased. Further, real capital gain net income (less loss) decreased during the period by 31 percent for tax-exempt corporations and 16 percent for tax-exempt trusts. This contributed to respective declines in tax-exempt corporate and trust UBIT of 11 percent and 21 percent. Due, in part, to an overall decline in gross UBI, the amount of reported UBIT dropped even more sharply between 2000 and 2001, one of only three annual periods of decline in UBI shown in Figure K. Three major slides in stock prices from late 2000 through September of 2001 may have contributed to a drop in capital gain net income (less loss) of 77 percent for exempt corporations and 52 percent for exempt trusts between Tax Years 2000 and 2001. Overall, UBI declined 3 percent for tax-exempt corporations between 2000 and 2001, while deductions increased by 1 percent; trust UBI and deductions fell by 39 percent and 26 percent, respectively. In addition, marginal tax rates applicable to the income of tax-exempt trusts were reduced for 2001, effectively lowering the UBIT of these organizations.

Between 2003 and 2004 the real value of UBIT of all types of organizations shown in Figure L rose steeply, increasing by 59 percent for tax-exempt corporations and 54 percent for tax-exempt trusts. Relatively stable growth in equity prices between 2003 and 2004 likely contributed to increases in capital gain net income (less loss) and combined income from partnerships and S corporations reported by both types of organizations between these years. For tax-exempt corporations, capital gain net income (less loss) increased 105 percent, while combined partnership and S corporation income increased 111 percent. Together, these sources of income accounted for 6 percent of corporate total

Figure L

Unrelated Business Income Tax (UBIT), in Constant Dollars, Tax Years 1990-2004



NOTE: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments.

UBI for 2004. For tax exempt trusts, capital gain net income (less loss) and combined partnership and S corporation income increased 123 percent and 48 percent, respectively, and together accounted for 38 percent of trust gross UBI.

Internal Revenue Code Section 501(c)(3) Charitable Organizations

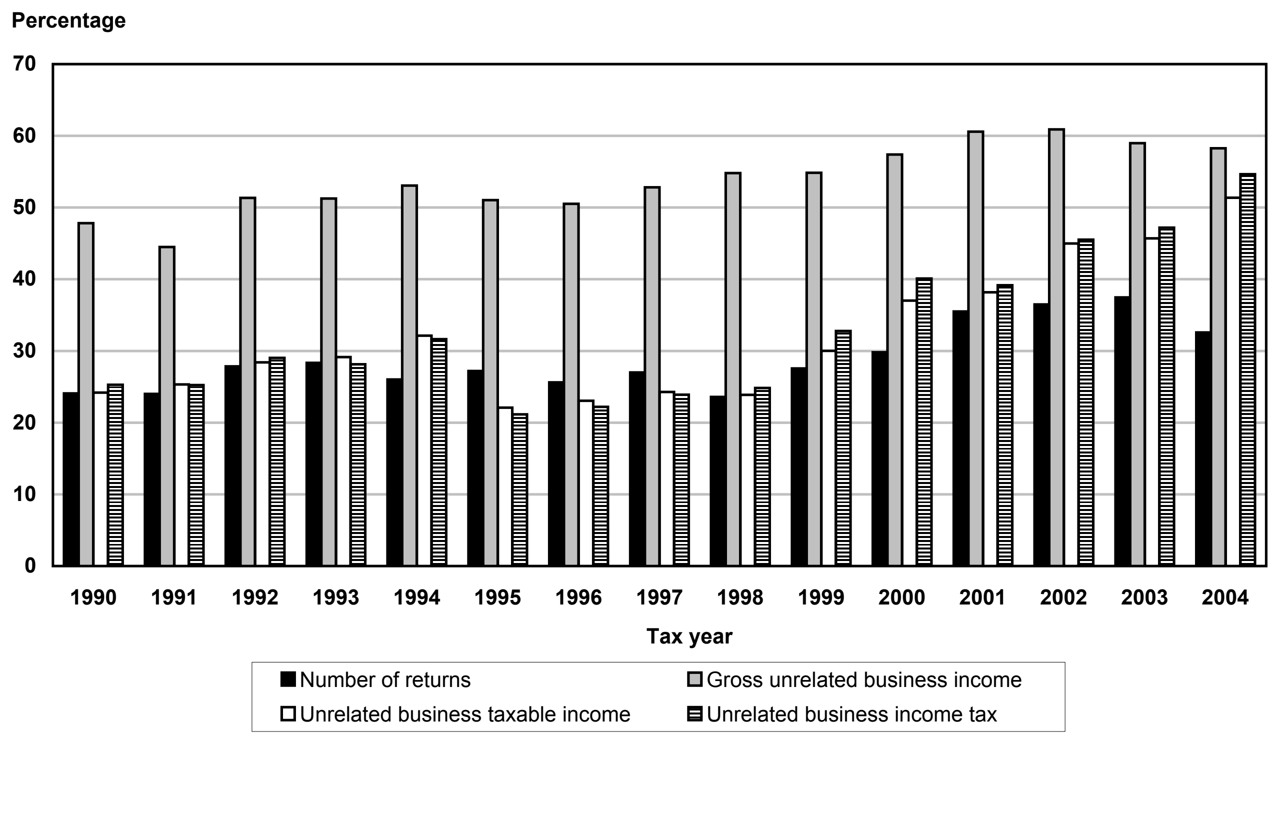
IRC section 501(c)(3) charitable organizations, including public charities and private foundations, generally command more public interest than any other type of organization granted exemption from Federal income tax by the IRS. Compared to other types of Form 990-T filers, classified by IRC section, charitable organizations were responsible for the single largest proportions of gross UBI reported each year from 1990 to 2004. As illustrated by Figure M, in which outliers have been removed, these organizations consistently made up between 25 percent and 35 percent of all 990-T filers and accounted for more than half of the reported amount of gross UBI almost every year. Throughout the 15-year period, however, these charities offset gross UBI with sizable deductions, resulting in much smaller amounts of taxable income. The share of total unrelated business income tax reported by charitable organizations increased over the period, and exceeded 45 percent of overall UBIT liability for each of Tax Years 2002-2004. For 2004, these organizations were liable for more than half of the UBIT reported by all Form 990-T filers. Of those charities that filed Form 990-T for 2004, the majority, 97 percent, were organized as corporations. These corporate charitable organizations represented 37 percent of all tax-exempt corporate entities filing Form 990-T for that year.

Conclusion

Voluntary charitable and member-serving organizations have flourished in the United States since the country's genesis. In the early 20th century, legislation that established the modern income tax system and concurrently granted tax-exempt status to certain organizations codified the relationship between

Figure M

Percentage of Selected Unrelated Business Financial Items Attributable to Internal Revenue Code Section 501(c)(3) Charitable Organizations, Tax Years 1990-2004



the tax-exempt sector and Government. Later, a variety of additional legislation placed important restrictions on tax-exempt organizations, including the taxation of unrelated business income of tax-exempt organizations and the application of more stringent tax regulations to private foundations.

Today, the legislation enacted between 1917 and 1969 remain the cornerstone of tax exemption in the United States. However, the tax-exempt sector has grown substantially over the past 2 decades, and SOI's datasets have tracked and described this growth. The activities of tax-exempt organizations have also broadened, and new types of tax-exempt organizations have emerged. Congress frequently has updated the tax code to reflect this growth and evolution, and the SOI datasets have been a vital tool for policymakers and researchers to measure growth and examine emerging trends throughout the tax-exempt sector, as well as assess the role and impact of the Nation's tax-exempt organizations.

Keeping Pace with Technology—Continued

from page 109

An online data quality review system was introduced for the Form 990 Study for Tax Year 1991. This system, which is still used today, selected an automated, random sample of a tax examiner's completed returns for input by a second tax examiner. It produced a computerized comparison of the original and second versions and a listing of any of discrepancies between the two. After review, a supervisor provided guidance to the tax examiners, and the errors were corrected.

The Tax Year 1999 Form 990-PF study was used as one of the pilots for upgrading the original online editing system to a mouse-driven, graphical user interface (GUI) for navigating through data entry screens. Prior to this upgrade, onscreen navigation was accomplished using the keyboard, with tax examiners forced to navigate through edit screens one item at a time. Because the new GUI system allowed faster navigation through edit screens, it improved user satisfaction and increased production rates of tax examiners, and other SOI projects quickly adopted the technology.

A further advancement to SOI edit systems involved the use of digital images created from paper-filed returns. This upgrade was piloted for the Tax Year 2002 Form 990-PF study. Using wide-aspect computer monitors, the data entry forms were displayed on one side of the screen, and a digital image of the return was displayed on the other. This split-screen method of return processing, which has been well-received by the tax examiners, has significantly reduced resource costs associated with the retrieving, controlling, and handling of paper returns.

The advent of electronically filed returns prompted the latest technological innovation adopted by EO edit systems. Since Tax Year 2003, IRS has allowed tax-exempt organizations to file Forms 990 electronically in Extensible Markup Language (XML). Beginning in 2005, the IRS established a mandatory schedule for electronic filing of Forms 990 and 990-PF by charities and private foundations. For tax years ending on or after December 31, 2006, all public charities with $10 million or more in assets that file at least 250 returns annually, and all private foundations and nonexempt charitable trusts, regardless of asset size, that file 250 or more returns annually are required to file electronically.[28] SOI has incorporated these returns into its data collection systems by creating digital images based on the electronic data, and integrating those images into its existing split-screen edit system. Beginning with Tax Year 2006, SOI will extract data items directly from electronically filed XML data, significantly reducing the amount of data transcription required.

[28] Excise and employment tax returns, as well as wage and income statements required for each employee, are included in the 250-return threshold.

Appendix A
Types of Organizations Exempt under Internal Revenue Code Section 501(c)

IRC section	Description of organization	General nature of activities
501(c)(1)	Corporations organized under an Act of Congress	U.S. instrumentality
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
501(c)(3)	Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster national or international amateur sports competition	Activities of a nature implied by the description of the class of organization
501(c)(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes
501(c)(5)	Labor, agricultural, and horticultural organizations	Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency
501(c)(6)	Business leagues, chambers of commerce, real estate boards, and like organizations	Improving conditions in one or more lines of business
501(c)(7)	Social and recreational clubs	Pleasure, recreation, and social activities
501(c)(8)	Fraternal beneficiary societies and associations	Lodges providing for payment of life, health, accident, or other insurance benefits to members
501(c)(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, health, accident, or other insurance benefits to members
501(c)(10)	Domestic fraternal beneficiary societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members
501(c)(11)	Teachers' retirement fund associations	Fiduciary associations providing for payment of retirement benefits
501(c)(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations	Activities of a mutually beneficial nature implied by the description of the class of organization
501(c)(13)	Cemetery companies	Arranging for burials and incidental related activities
501(c)(14)	State-chartered credit unions and mutual insurance or reserve funds	Providing loans to members or providing insurance of, or reserve funds for, shares or deposits in certain banks or loan associations
501(c)(15)	Mutual insurance companies or associations other than life, if written premiums for the year do not exceed $350,000	Providing insurance to members, substantially at cost
501(c)(16)	Corporations organized to finance crop operations	Financing crop operations in conjunction with activities of a marketing or purchasing association
501(c)(17)	Supplemental unemployment benefit trusts	Fiduciary agent for payment of supplemental unemployment compensation benefits
501(c)(18)	Employee-funded pension trusts (created before June 25, 1959)	Providing for payments of benefits under a pension plan funded by employees
501(c)(19)	Posts or organizations of past or present members of the armed forces	Providing services to veterans or their dependents; advocacy of veteran's issues; and promotion of patriotism and community service programs
501(c)(21)	Black Lung Benefit Trusts	Providing funds to satisfy coal mine operators' liability for disability or death due to black lung disease
501(c)(22)	Withdrawal liability payment funds	Providing funds to meet the liability of employers withdrawing from a multiple-employer pension fund
501(c)(23)	Associations of past and present members of the armed forces founded before 1880	Providing insurance and other benefits to veterans or their dependents
501(c)(24)	Trusts described in section 4049 of the Employee Retirement Income Security Act of 1974	Providing funds for employee retirement income
501(c)(25)	Title-holding corporations or trusts with no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest	Acquiring real property and remitting all income earned from such property to one or more exempt organizations; pension, profit-sharing, or stock bonus plans; or governmental units
501(c)(26)	State-sponsored high-risk health insurance plans	Providing coverage for medical care on a not-for-profit basis to residents with pre-existing medical conditions that resulted in denied or exorbitantly priced traditional medical care coverage
501(c)(27)	State-sponsored workers' compensation reinsurance plans	Pooled employers' funds providing reimbursements to employees for losses arising under workers' compensation acts; also, State-created, -operated, and -controlled organizations providing workers' compensation insurance to employers

NOTE: Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt effective for tax years beginning after June 30, 1992.

Appendix B

Legislation of Note, 1894-Present

- **The Wilson-Gorman Tariff Act of 1894** established a flat, 2-percent tax on corporate income, but excluded ". . . corporations, companies, or associations organized and conducted solely for charitable, religious, or educational purposes, including fraternal beneficiary associations." The law was declared unconstitutional by the Supreme Court in 1896.

- **The Revenue Act of 1909** established an excise tax on corporate income and included tax exemption in language similar to that introduced in the 1894 act. The 1909 act included the important concept of private inurement, meaning that a charitable organization's income could not be used to benefit an individual related to the organization.

- **The Revenue Act of 1913** established the modern income tax system and included tax exemption and private inurement in language similar to that in the 1909 act.

- **The Revenue Act of 1917** included the introduction of the charitable income tax deduction for individual donors.

- **The Revenue Act of 1918** added organizations operated "for the prevention of cruelty to children or animals" to the list of tax-exempt public charities and added the estate tax charitable deduction for charitable bequests.

- **The Revenue Act of 1921** added both "literary" groups and "any community chest, fund, or foundation" to the list of tax-exempt organizations.

- **The Revenue Act of 1934** set forth limits on lobbying by charitable organizations, stating that "no substantial part" of the organizations' activities can involve "propaganda" or attempts "to influence legislation."

- **The Revenue Act of 1936** expanded the charitable income tax deduction to corporate donors.

- **The Revenue Act of 1943** required certain tax-exempt organizations to file the Form 990 information return with the IRS. A number of organizations, including religious organizations, most schools, and publicly supported charitable organizations, were exempt from this filing requirement.

- **The Revenue Act of 1950** introduced the unrelated business income taxation of tax-exempt organizations.

- **The Revenue Code of 1954** introduced a number of changes to the tax-exempt organization tax law. Most notably, the current structure of the Internal Revenue Code was developed, with section 501(c) describing tax-exempt organizations. Charitable organizations were described under section 501(c)(3) and now included organizations operated for the purpose of "testing for public safety." Following passage of the Revenue Code of 1954, charities were not allowed to "participate in, or intervene in (including the publishing or distributing of statements), a political campaign on behalf of any candidate for public office."

- **The Revenue Act of 1964** increased the charitable income tax deduction for contributions made to publicly supported organizations to 30 percent of adjusted gross income (AGI). Previously, the charitable income tax deduction had been limited to 20 percent of AGI for publicly supported organizations. Prior to the 1964 act, only specific organizations, including churches and many schools, were subject to the 30-percent limitation.

- **The Tax Reform Act of 1969** (TRA69) included significant legislation regarding charitable organizations.

    - TRA69 introduced the first definition of private foundations, for tax purposes, expanded filing requirements for these newly defined organizations, and established the "private foundation rules." Foundations were required to pay an annual excise tax equaling 4 percent of their net investment income. With certain exceptions, taxes were imposed on a nonoperating foundation that failed to distribute, for charitable purposes, the greater of its adjusted net income, excluding long-term capital gains, or its minimum investment return, defined as 6 percent of investment assets, annually. The legislation also prohibited self-dealing, defined as conducting activities that benefit foundation managers, officers, substantial contributors, and other foundation "insiders," and imposed taxes on individuals who engaged in self-dealing activities. Further, in cases of "willful repeated acts or a willful and

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Legislation of Note, 1894-Present—Continued

flagrant act" of self-dealing, a foundation could be subject to termination. TRA69 also imposed sanctions on foundations that engaged in a variety of other activities, such as holding excess interests in a business enterprise or investments that jeopardized the foundation's charitable purpose, making taxable expenditures, or violating other requirements.

- TRA69 expanded the tax on unrelated business income, extending the tax to all tax-exempt organizations described in IRC sections 501(c) and 401(a) (except United States instrumentalities), and including churches for the first time.

- The legislation expanded the filing requirements for many tax-exempt organizations. Under the new requirements, all tax-exempt organizations were required to complete annual returns; however, TRA69 exempted certain organizations and activities from this requirement. Churches and their integrated auxiliary organizations were not subject to the new filing requirements. Organizations that normally had gross receipts of $5,000 or less and that previously were not required to file Form 990 were also exempted. Additionally, the "exclusively religious activities of any religious order" were not subject to the reporting requirements, although certain religious organizations were required to report activities that were not religious in nature. Finally, TRA69 permitted additional exclusions to the reporting requirement, to be determined at the discretion of the Treasury Department.

- TRA69 also increased the individual charitable income tax deduction limitation from 30 percent to 50 percent of AGI for contributions made to most charitable organizations. Contributions to nonoperating private foundations generally remained subject to the 20-percent limitation.

- Additionally, TRA69 introduced two important concepts regarding unrelated business taxation of tax-exempt organizations. First, a trade or business activity does not lose its identity as a trade or business merely because it was carried on within a larger aggregate of similar activities or within a larger complex of other endeavors that are related to the exempt purposes of the organization (called the "fragmentation" rule). Second, in order to be considered "related," there had to be a causal relationship between an organization's engaging in a trade or business activity and the performance of the organization's exempt functions. This relationship had to be substantial, and the activities that generated the income must have contributed importantly to the accomplishment of the organization's exempt purpose(s).

- Under TRA69, certain payments of interest, annuities, royalties, and rents from taxable subsidiaries to a tax-exempt parent were subject to UBIT. These types of payments from tax-exempt subsidiaries were taxed to the extent that the subsidiaries' payments were generated from unrelated business income.

- **The Tax Reform Act of 1976** redefined the minimum investment return calculation for private foundations to 5 percent of investment assets.

- **The Revenue Act of 1978** reduced the net investment income tax rate for private foundations to 2 percent.

- **The Economic Recovery Tax Act of 1981** changed the basis for the minimum charitable distribution required of nonoperating foundations from the greater of adjusted net income or minimum investment return to minimum investment return only.

- **The Deficit Reduction Act of 1984** (DEFRA) raised the limit on individual deductions for contributions to nonoperating private foundations from 20 percent to 30 percent of AGI; gifts of capital gain property to nonoperating private foundations remained subject to the 20-percent limitation. DEFRA included a provision to permit nonoperating foundations' donors to carry over contributions that exceeded the 20- or 30-percent limitation for up to 5 years. For a 10-year period ending December 31, 1994, contributors were permitted to deduct the full fair market, rather than a reduced value, for donations of certain appreciated stock to private nonoperating foundations. Additionally, operating foundations that met certain additional criteria were exempted from the excise tax on net investment income. To encourage foundations to make charitable distributions at levels above the minimum required amount, DEFRA included a provision that

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Legislation of Note, 1894-Present—Continued

allowed foundations that showed improvement in the amount of charitable distributions made over a 5-year period to be eligible for a 1-percent reduction in the excise tax. Additionally, DEFRA set an upper limit on the amount of administrative expenditures incurred for grantmaking activities that private foundations could count toward the minimum charitable distribution. This limitation was effective for a 5-year period to allow the Treasury Department to study its effects on foundations' charitable distributions. Subsequent research showed that the limitation had little effect on charitable distributions, and the regulation expired at the end of Tax Year 1990.

- **The Revenue Reconciliation Act of 1993** imposed a tax on certain nondeductible lobbying and political expenditures made by membership organizations tax-exempt under IRC sections 501(c)(4), (5), and (6). These organizations were liable for the tax if they did not notify members of the shares of their dues allocated to the nondeductible lobbying expenditures or if they failed to include in the notice the entire amount of dues allocated to the expenditures.

- **The Taxpayer Bill of Rights 2, enacted for 1996**, added "intermediate sanctions" as an alternative to the revocation of an organization's tax-exempt status in instances when a person with substantial influence over the affairs of the organization was found to have engaged in an excess benefit transaction. The rules, which apply to organizations exempt under IRC sections 501(c)(3) and 501(c)(4), require reimbursement of the excess benefit to the organization and payment of excise taxes and interest penalties by disqualified persons and/or organization managers.

- **The Taxpayer Relief Act of 1997** (TRA97) terminated exceptions granted to specific organizations under a Tax Reform Act of 1986 provision that revoked the tax-exempt status of any organization if a substantial part of its activities consisted of providing commercial-type insurance. Under TRA97, tax exemption for the two largest public charities at the time was revoked: the Teachers Insurance Annuity Association and the College Retirement Equities Fund (collectively known as TIAA-CREF). Additionally, TRA97 amended UBIT rules, effective after December 31, 1997, to exempt from unrelated business taxation certain "qualified" sponsorship payments solicited or received by tax-exempt organizations, and to allow charitable organizations and pension, profit-sharing, and stock-bonus plans exempt from tax under section 501(a) to hold shares in an S corporation without the S corporation losing its status as such.

- **The Tax and Trade Relief Extension Act of 1998** made permanent the provision that permitted contributors to deduct the full fair market, rather than a reduced value, for donations of certain appreciated stock to nonoperating private foundations.

- **The Pension Protection Act of 2006** introduced a number of regulatory changes. IRC section 501(c)(3) public charities and private foundations reporting unrelated business income were required to make their Forms 990-T, *Exempt Organization Business Income Tax Returns*, available for public inspection. Organizations with gross receipts less than $25,000 (the Form 990/990-EZ filing threshold) were required to file the Form 990-N, an annual electronic notice also known as the "e-Postcard." Additional filing requirements were placed on supporting organizations, donor-advised funds, and credit counseling organizations. The legislation also doubled excise tax rates on the prohibited activities of private foundations and public charities.

- **Tax Technical Corrections Act of 2007** required the Internal Revenue Service to make available for public inspection all Forms 990-T filed by IRC section 501(c)(3) public charities and private foundations after August 17, 2006, the date the Pension Protection Act of 2006 was enacted. The Pension Act required section 501(c)(3) organizations to publicly disclose their Forms 990-T, but it failed to include language authorizing IRS to do so.

Table 1. Public Charities: Selected Financial Data, in Current Dollars, Tax Years 1985-2004

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

Tax year	Number of returns	Total assets	Total liabilities	Total revenue					Total expenses	Net income
				Total	Program service revenue	Contributions, gifts, and grants received	Investment income [1]	Other		
1985	106,449	423,544	186,390	268,390	167,893	55,771	13,933	30,792	244,214	24,175
1986	113,072	489,180	210,879	292,483	187,934	60,115	13,855	30,579	263,468	29,015
1987	122,018	529,514	231,765	310,766	211,904	61,686	15,194	21,982	288,681	22,085
1988	124,233	583,573	257,645	354,647	239,293	69,062	19,258	27,034	330,815	23,832
1989	133,157	655,426	293,819	398,628	272,134	76,973	21,954	27,567	371,508	27,120
1990	141,757	697,315	321,984	435,567	306,899	85,332	22,697	20,639	409,447	26,120
1991	149,544	777,471	365,706	491,106	344,446	87,462	23,404	35,794	458,739	32,367
1992	157,941	849,324	398,177	523,793	374,804	94,992	23,106	30,891	490,245	33,548
1993	165,599	926,847	438,451	566,067	402,760	103,053	23,227	37,027	530,210	35,857
1994	174,918	993,381	464,034	589,102	422,413	110,724	25,741	30,225	548,166	40,936
1995	180,931	1,143,079	512,383	663,371	443,052	127,743	31,060	61,516	604,645	58,725
1996	192,059	1,293,439	564,566	704,346	467,559	137,666	34,057	65,064	637,917	66,429
1997	198,957	1,438,977	624,978	754,616	486,407	146,171	37,040	84,998	677,143	77,473
1998	207,272	1,351,541	459,188	752,044	502,832	161,751	28,562	58,898	684,566	67,478
1999	211,615	1,453,675	481,444	800,676	518,111	174,992	30,466	77,107	714,487	86,189
2000	230,159	1,562,536	539,367	866,208	579,081	199,076	29,136	58,916	796,434	69,775
2001	240,569	1,631,719	611,390	896,974	630,817	212,427	23,678	30,052	862,721	34,253
2002	251,676	1,733,852	693,576	955,267	691,791	214,484	20,518	28,474	934,672	20,595
2003	263,353	1,899,857	735,600	1,072,171	754,585	229,987	23,594	64,005	1,009,675	62,496
2004	276,191	2,058,610	782,510	1,152,989	801,199	248,570	27,830	75,391	1,058,489	94,500

[1] Includes “interest on savings and temporary cash investments,” “dividends and interest from securities,” and “other investment income (loss)” from Form 990 and “investment income (loss)” from Form 990-EZ which was introduced for Tax Year 1989.

NOTES: Data are from Forms 990 (and, beginning with Tax Year 1989, Form 990-EZ) for nonprofit charitable organizations that are tax-exempt under Internal Revenue Code section 501(c)(3) and exclude private foundations, most organizations with receipts less than $25,000 in current dollars, as well as most churches, and certain other types of religious organizations. Detail may not add to totals because of rounding.

Table 2. Public Charities: Selected Financial Data, in Constant Dollars, Tax Years 1985-2004

[All figures are estimates based on samples—money amounts are in millions of constant 2004 dollars]

Tax year	Number of returns	Total assets	Total liabilities	Total revenue					Total expenses	Net income
				Total	Program service revenue	Contributions, gifts, and grants received	Investment income [1]	Other		
1985	106,449	664,965	292,632	421,372	263,592	87,560	21,875	48,344	383,416	37,956
1986	113,072	751,380	323,910	449,254	288,667	92,337	21,281	46,970	404,687	44,567
1987	122,018	791,623	346,489	464,595	316,796	92,221	22,715	32,863	431,578	33,017
1988	124,233	843,847	372,555	512,820	346,018	99,864	27,847	39,091	478,358	34,461
1989	133,157	913,008	409,290	555,289	379,083	107,223	30,582	38,401	517,511	37,778
1990	141,757	935,100	431,781	584,095	411,551	114,430	30,437	27,676	549,068	35,027
1991	149,544	1,007,602	473,955	636,473	446,402	113,351	30,331	46,389	594,526	41,948
1992	157,941	1,076,094	504,490	663,646	474,877	120,355	29,275	39,139	621,140	42,505
1993	165,599	1,147,437	542,802	700,791	498,617	127,580	28,755	45,840	656,400	44,391
1994	174,918	1,204,971	562,873	714,581	512,386	134,308	31,223	36,663	664,925	49,656
1995	180,931	1,357,977	608,711	788,084	526,346	151,758	36,899	73,081	718,319	69,765
1996	192,059	1,508,150	658,284	821,267	545,174	160,518	39,710	75,865	743,811	77,456
1997	198,957	1,650,506	716,850	865,544	557,909	167,658	42,485	97,493	776,683	88,861
1998	207,272	1,533,999	521,179	853,569	570,714	183,588	32,418	66,849	776,982	76,587
1999	211,615	1,625,209	538,254	895,155	579,248	195,641	34,061	86,205	798,796	96,359
2000	230,159	1,710,977	590,607	948,498	634,093	217,988	31,904	64,513	872,095	76,403
2001	240,569	1,744,308	653,576	958,865	674,343	227,084	25,312	32,126	922,249	36,616
2002	251,676	1,822,278	728,948	1,003,986	727,072	225,423	21,564	29,926	982,340	21,645
2003	263,353	1,954,953	756,933	1,103,264	776,468	236,656	24,278	65,861	1,038,955	64,308
2004	276,191	2,058,610	782,510	1,152,989	801,199	248,570	27,830	75,391	1,058,489	94,500

[1] Includes “interest on savings and temporary cash investments,” “dividends and interest from securities,” and “other investment income (loss)” from Form 990 and “investment income (loss)” from Form 990-EZ which was introduced for Tax Year 1989.

NOTES: Data are from Forms 990 (and, beginning with Tax Year 1989, Form 990-EZ) for nonprofit charitable organizations that are tax-exempt under Internal Revenue Code section 501(c)(3) and exclude private foundations, most organizations with receipts less than $25,000 in current dollars, as well as most churches, and certain other types of religious organizations. Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments. Detail may not add to totals because of rounding.

Table 3. Domestic Private Foundations, Selected Financial Data, in Current Dollars, Tax Years 1985-2004

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

Type of foundation and tax year	Number of returns	Total assets (book value)	Total assets (fair market value)			Total revenue	Net investment income	Total expenses
			Total	Investment assets	Securities			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All private foundations								
1985	31,171	71,394	94,996	87,756	73,294	16,193	9,995	7,141
1986	35,081	85,096	110,978	102,339	85,145	19,801	12,252	8,148
1987	35,847	91,411	111,837	103,492	85,355	16,834	11,234	8,928
1988	37,057	102,007	126,437	118,009	97,544	16,112	10,378	9,549
1989	38,719	112,490	142,545	133,646	112,892	19,388	12,022	10,467
1990	40,105	122,412	150,997	142,598	114,969	19,006	11,931	11,285
1991	41,276	134,718	173,121	162,737	136,222	20,194	13,209	12,676
1992	42,383	144,079	181,426	171,439	141,336	22,508	14,078	13,569
1993	43,956	155,626	192,277	180,813	147,594	24,460	15,093	14,579
1994	45,801	169,287	203,644	191,278	158,934	26,503	14,978	15,708
1995	47,917	195,570	242,917	227,077	190,739	30,814	20,355	17,189
1996	50,774	232,565	288,588	268,327	225,087	48,247	26,189	19,852
1997	55,113	280,920	342,689	323,004	272,412	55,460	34,801	22,414
1998	56,658	325,672	397,084	380,531	317,900	59,735	39,313	25,902
1999	62,694	384,565	466,863	444,151	363,442	83,286	57,142	33,876
2000	66,738	409,524	471,646	447,437	361,418	72,780	48,830	37,434
2001	70,787	413,577	455,423	416,715	329,353	45,264	25,719	36,661
2002	73,255	383,516	413,007	377,439	294,385	27,775	17,648	34,392
2003	76,348	418,510	474,952	448,773	344,314	48,391	25,193	35,099
2004	76,897	445,534	509,924	481,177	361,158	58,668	34,019	36,552
Nonoperating private foundations								
1985	28,599	62,561	84,433	80,582	67,401	14,542	9,131	6,275
1986	32,315	75,289	98,926	94,387	78,937	17,819	11,282	7,237
1987	32,688	81,841	100,792	95,963	79,779	15,301	10,443	8,132
1988	33,829	91,497	113,991	108,619	90,839	14,580	9,676	8,702
1989	35,652	101,614	129,241	123,590	105,674	17,809	11,226	9,636
1990	36,880	110,443	136,428	131,138	107,190	16,738	11,126	10,236
1991	37,801	121,277	156,808	151,046	127,354	18,323	12,278	11,548
1992	38,576	129,286	163,768	157,408	131,873	20,310	13,073	12,270
1993	40,166	139,953	173,996	166,588	138,090	22,173	14,068	13,247
1994	41,983	151,151	182,544	174,897	146,979	22,935	13,079	13,945
1995	43,966	174,866	218,343	210,407	177,615	27,543	18,862	15,358
1996	46,066	210,439	262,739	250,170	210,520	44,430	24,421	17,980
1997	50,541	256,409	314,368	300,693	256,081	51,030	32,390	19,990
1998	52,460	297,759	365,036	355,295	299,711	54,711	36,778	23,375
1999	58,840	349,131	426,316	412,420	340,942	74,327	52,367	31,029
2000	61,501	374,990	432,707	417,850	341,662	66,185	45,654	33,565
2001	63,650	379,018	416,810	392,037	311,416	41,214	24,483	32,603
2002	67,101	352,163	377,672	355,263	279,699	24,500	16,666	30,608
2003	70,004	384,941	436,296	419,322	327,980	44,285	24,023	31,929
2004	70,613	410,658	469,389	451,114	344,740	54,072	32,289	33,207
Operating private foundations								
1985	2,571	8,833	10,563	7,174	5,893	1,651	864	866
1986	2,766	9,807	12,052	7,952	6,208	1,982	971	911
1987	3,159	9,570	11,045	7,529	5,576	1,534	791	796
1988	3,227	10,510	12,447	9,390	6,706	1,532	702	847
1989	3,066	10,877	13,304	10,057	7,218	1,579	796	831
1990	3,226	11,969	14,569	11,460	7,779	2,268	805	1,049
1991	3,474	13,442	16,313	11,691	8,868	1,871	932	1,128
1992	3,807	14,793	17,658	14,031	9,463	2,198	1,006	1,299
1993	3,790	15,674	18,281	14,224	9,504	2,287	1,026	1,332
1994	3,818	18,136	21,100	16,381	11,955	3,568	1,899	1,763
1995	3,951	20,705	24,574	16,669	13,124	3,272	1,494	1,831
1996	4,708	22,126	25,849	18,157	14,566	3,817	1,768	1,872
1997	4,572	24,511	28,321	22,311	16,331	4,430	2,411	2,424
1998	4,198	27,912	32,048	25,236	18,189	5,024	2,535	2,526
1999	3,854	35,434	40,547	31,731	22,500	8,959	4,775	2,848
2000	5,238	34,534	38,939	29,587	19,756	6,595	3,177	3,868
2001	7,137	34,559	38,613	24,678	17,937	4,050	1,236	4,058
2002	6,154	31,354	35,335	22,177	14,686	3,275	982	3,785
2003	6,344	33,569	38,655	29,451	16,334	4,106	1,170	3,171
2004	6,284	34,876	40,534	30,063	16,418	4,596	1,731	3,345

Footnotes at end of table.

Table 3. Domestic Private Foundations, Selected Financial Data, in Current Dollars, Tax Years 1985-2004—Continued

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

Type of foundation and tax year	Excess of revenue over expenses	Charitable expenses			Net investment income excise tax	Noncharitable-use assets [1]	Qualifying distributions
		Total	Contributions, gifts, and grants paid	Operating and administrative expenses			
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
All private foundations							
1985	9,053	6,188	5,171	1,017	168	80,425	6,552
1986	11,653	7,004	6,116	888	195	100,938	7,654
1987	7,906	7,685	6,676	1,009	173	108,092	8,117
1988	6,563	8,372	7,218	1,154	141	112,420	8,837
1989	8,921	9,160	7,911	1,249	165	127,695	9,676
1990	7,721	10,069	8,560	1,509	155	136,404	10,520
1991	7,518	11,272	9,762	1,511	170	152,075	11,930
1992	8,939	11,794	10,080	1,714	187	163,984	12,437
1993	9,881	12,952	11,072	1,880	203	176,123	13,705
1994	10,795	13,788	11,755	2,033	188	181,942	14,538
1995	13,626	14,412	12,256	2,156	279	210,033	15,305
1996	28,395	16,881	14,519	2,362	369	245,287	17,850
1997	33,046	19,076	16,421	2,655	502	297,356	19,985
1998	33,833	22,288	19,394	2,894	523	346,059	23,389
1999	49,410	26,402	22,763	3,639	730	407,220	27,604
2000	35,346	31,874	27,564	4,311	625	448,812	33,454
2001	8,602	31,698	27,383	4,315	305	424,028	33,067
2002	-6,618	30,423	26,303	4,120	234	388,845	31,712
2003	13,292	31,058	26,667	4,392	328	408,973	32,780
2004	22,116	32,125	27,625	4,500	469	451,199	33,486
Nonoperating private foundations							
1985	8,267	5,484	5,105	379	163	73,802	5,651
1986	10,582	6,447	6,028	419	191	93,386	6,676
1987	7,169	7,062	6,593	469	169	100,509	7,248
1988	5,878	7,683	7,132	551	137	104,548	7,935
1989	8,173	8,479	7,836	642	161	119,237	8,688
1990	6,503	9,185	8,483	703	151	127,726	9,406
1991	6,775	10,376	9,558	818	165	141,936	10,745
1992	8,040	10,764	9,870	893	182	153,196	11,146
1993	8,926	11,854	10,919	935	199	164,841	12,167
1994	8,990	12,422	11,417	1,005	183	169,190	12,712
1995	12,185	13,034	11,902	1,132	269	194,955	13,379
1996	26,450	15,456	14,183	1,273	357	229,452	15,832
1997	31,040	17,231	15,855	1,376	487	279,163	17,727
1998	31,335	20,569	18,966	1,603	501	326,067	21,189
1999	43,299	24,367	22,335	2,033	686	382,028	25,057
2000	32,619	29,056	26,552	2,505	601	421,273	29,845
2001	8,611	28,882	26,526	2,356	297	397,969	29,785
2002	-6,107	27,911	25,487	2,423	225	368,839	28,727
2003	12,356	28,826	26,116	2,710	316	386,964	29,811
2004	20,865	29,803	27,074	2,729	456	427,732	30,493
Operating private foundations							
1985	785	704	67	637	5	6,624	901
1986	1,071	557	89	469	4	7,552	979
1987	738	623	83	540	4	7,584	868
1988	686	689	86	603	3	7,873	902
1989	748	681	74	607	4	8,458	988
1990	1,219	883	77	806	4	8,679	1,114
1991	743	896	204	692	4	10,139	1,185
1992	899	1,031	210	821	5	10,788	1,291
1993	955	1,098	153	944	5	11,282	1,537
1994	1,805	1,367	339	1,028	5	12,752	1,825
1995	1,440	1,378	354	1,024	10	15,078	1,926
1996	1,945	1,426	336	1,089	12	15,835	2,018
1997	2,006	1,845	566	1,279	15	18,193	2,258
1998	2,498	1,719	428	1,290	22	19,993	2,199
1999	6,111	2,035	428	1,606	43	25,192	2,547
2000	2,727	2,818	1,012	1,806	24	27,539	3,608
2001	-8	2,815	857	1,959	8	26,059	3,282
2002	-510	2,513	816	1,697	9	20,006	2,984
2003	936	2,232	551	1,681	11	22,009	2,969
2004	1,251	2,323	551	1,771	12	23,467	2,993

[1] Noncharitable-use assets, also known as net investment assets, are calculated based on the value of assets not used for charitable purposes.
NOTE: Detail may not add to totals because of rounding.

Table 4. Domestic Private Foundations, Selected Financial Data, in Constant Dollars, Tax Years 1985-2004

[All figures are estimates based on samples—money amounts are in millions of constant 2004 dollars]

Type of foundation and tax year	Number of returns	Total assets (book value)	Total assets (fair market value)			Total revenue	Net investment income	Total expenses
			Total	Investment assets	Securities			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All private foundations								
1985	31,171	112,089	149,143	137,777	115,072	25,423	15,692	11,211
1986	35,081	130,707	170,462	157,192	130,783	30,414	18,819	12,515
1987	35,847	136,659	167,196	154,721	127,605	25,168	16,794	13,347
1988	37,057	147,503	182,828	170,641	141,049	23,298	15,007	13,807
1989	38,719	156,699	198,565	186,169	157,259	27,008	16,747	14,581
1990	40,105	164,155	202,487	191,224	154,174	25,487	16,000	15,133
1991	41,276	174,595	224,365	210,907	176,544	26,171	17,119	16,428
1992	42,383	182,548	229,866	217,213	179,072	28,517	17,837	17,192
1993	43,956	192,666	238,039	223,846	182,721	30,281	18,685	18,049
1994	45,801	205,346	247,020	232,020	192,787	32,149	18,169	19,054
1995	47,917	232,337	288,585	269,767	226,597	36,608	24,182	20,420
1996	50,774	271,171	336,494	312,870	262,451	56,256	30,536	23,147
1997	55,113	322,216	393,064	370,486	312,457	63,613	39,917	25,708
1998	56,658	369,637	450,691	431,902	360,817	67,799	44,621	29,399
1999	62,694	429,943	521,953	496,561	406,328	93,114	63,885	37,874
2000	66,738	448,429	516,452	489,944	395,752	79,694	53,469	40,990
2001	70,787	442,113	486,847	445,469	352,078	48,387	27,494	39,191
2002	73,255	403,076	434,070	396,689	309,398	29,191	18,548	36,146
2003	76,348	430,647	488,725	461,787	354,299	49,794	25,924	36,117
2004	76,897	445,534	509,924	481,177	361,158	58,668	34,019	36,552
Nonoperating private foundations								
1985	28,599	98,221	132,559	126,513	105,820	22,831	14,336	9,852
1986	32,315	115,643	151,950	144,978	121,248	27,370	17,328	11,115
1987	32,688	122,352	150,685	143,465	119,270	22,875	15,612	12,157
1988	33,829	132,305	164,830	157,063	131,353	21,082	13,991	12,583
1989	35,652	141,548	180,032	172,161	147,205	24,808	15,638	13,423
1990	36,880	148,104	182,950	175,857	143,741	22,446	14,920	13,726
1991	37,801	157,175	203,223	195,756	165,051	23,746	15,912	14,966
1992	38,576	163,806	207,494	199,436	167,083	25,733	16,563	15,546
1993	40,166	173,261	215,408	206,236	170,955	27,450	17,416	16,400
1994	41,983	183,347	221,425	212,151	178,285	27,821	15,865	16,915
1995	43,966	207,740	259,391	249,964	211,007	32,721	22,408	18,245
1996	46,066	245,372	306,353	291,698	245,467	51,806	28,475	20,965
1997	50,541	294,101	360,580	344,895	293,725	58,531	37,151	22,928
1998	52,460	337,957	414,316	403,260	340,172	62,096	41,743	26,531
1999	58,840	390,328	476,622	461,086	381,173	83,098	58,546	34,690
2000	61,501	410,614	473,814	457,546	374,120	72,472	49,991	36,754
2001	63,650	405,170	445,569	419,088	332,903	44,058	26,172	34,853
2002	67,101	370,123	396,933	373,381	293,964	25,750	17,516	32,169
2003	70,004	396,104	448,949	431,483	337,492	45,569	24,719	32,855
2004	70,613	410,658	469,389	451,114	344,740	54,072	32,289	33,207
Operating private foundations								
1985	2,571	13,868	16,584	11,264	9,252	2,592	1,356	1,359
1986	2,766	15,064	18,512	12,214	9,536	3,044	1,491	1,399
1987	3,159	14,307	16,512	11,256	8,335	2,293	1,182	1,190
1988	3,227	15,198	17,998	13,578	9,696	2,216	1,016	1,224
1989	3,066	15,151	18,532	14,009	10,054	2,199	1,109	1,157
1990	3,226	16,050	19,537	15,368	10,432	3,041	1,079	1,407
1991	3,474	17,420	21,142	15,151	11,493	2,425	1,207	1,462
1992	3,807	18,743	22,372	17,777	11,989	2,785	1,274	1,646
1993	3,790	19,404	22,632	17,610	11,766	2,831	1,270	1,649
1994	3,818	21,999	25,595	19,870	14,502	4,328	2,303	2,138
1995	3,951	24,597	29,194	19,803	15,591	3,887	1,775	2,175
1996	4,708	25,799	30,140	21,172	16,984	4,450	2,061	2,182
1997	4,572	28,114	32,484	25,591	18,732	5,081	2,766	2,780
1998	4,198	31,681	36,375	28,643	20,645	5,703	2,877	2,868
1999	3,854	39,615	45,331	35,475	25,155	10,016	5,338	3,184
2000	5,238	37,815	42,638	32,398	21,633	7,222	3,479	4,236
2001	7,137	36,944	41,278	26,381	19,175	4,329	1,322	4,338
2002	6,154	32,953	37,137	23,308	15,435	3,442	1,032	3,978
2003	6,344	34,543	39,776	30,305	16,807	4,225	1,204	3,263
2004	6,284	34,876	40,534	30,063	16,418	4,596	1,731	3,345

Footnotes at end of table.

Table 4. Domestic Private Foundations, Selected Financial Data, in Constant Dollars, Tax Years 1985-2004—Continued

[All figures are estimates based on samples—money amounts are in millions of constant 2004 dollars]

Type of foundation and tax year	Excess of revenue over expenses	Charitable expenses			Net investment income excise tax	Noncharitable-use assets [1]	Qualifying distributions
		Total	Contributions, gifts, and grants paid	Operating and administrative expenses			
	(9)	(10)	(11)	(12)	(13)	(14)	(15)
All private foundations							
1985	14,213	9,715	8,119	1,596	263	126,268	10,287
1986	17,900	10,758	9,394	1,364	299	155,040	11,757
1987	11,820	11,489	9,980	1,509	259	161,598	12,134
1988	9,491	12,106	10,438	1,668	204	162,560	12,778
1989	12,427	12,760	11,020	1,740	230	177,879	13,478
1990	10,354	13,502	11,479	2,023	208	182,918	14,107
1991	9,743	14,609	12,651	1,958	220	197,090	15,461
1992	11,326	14,943	12,772	2,172	237	207,768	15,757
1993	12,232	16,034	13,707	2,327	251	218,041	16,966
1994	13,095	16,725	14,259	2,466	228	220,696	17,634
1995	16,187	17,121	14,560	2,561	332	249,519	18,182
1996	33,109	19,683	16,929	2,754	431	286,005	20,813
1997	37,904	21,881	18,835	3,046	576	341,067	22,922
1998	38,401	25,297	22,012	3,284	594	392,777	26,546
1999	55,240	29,518	25,449	4,069	816	455,272	30,861
2000	38,704	34,902	30,182	4,720	684	491,449	36,632
2001	9,196	33,885	29,273	4,612	326	453,286	35,349
2002	-6,955	31,975	27,645	4,330	246	408,676	33,329
2003	13,677	31,959	27,440	4,519	337	420,833	33,731
2004	22,116	32,125	27,625	4,500	469	451,199	33,486
Nonoperating private foundations							
1985	12,979	8,610	8,014	595	256	115,868	8,872
1986	16,255	9,902	9,258	644	294	143,441	10,254
1987	10,717	10,558	9,856	701	253	150,261	10,836
1988	8,499	11,109	10,313	796	199	151,176	11,474
1989	11,385	11,811	10,916	895	224	166,097	12,103
1990	8,720	12,317	11,375	942	202	171,280	12,613
1991	8,780	13,447	12,387	1,061	214	183,950	13,926
1992	10,187	13,637	12,506	1,132	231	194,099	14,122
1993	11,050	14,675	13,517	1,158	246	204,073	15,063
1994	10,905	15,067	13,849	1,219	222	205,228	15,420
1995	14,476	15,484	14,140	1,344	320	231,606	15,894
1996	30,841	18,021	16,537	1,484	416	267,541	18,460
1997	35,603	19,764	18,186	1,578	559	320,200	20,333
1998	35,565	23,346	21,526	1,820	569	370,086	24,050
1999	48,408	27,243	24,970	2,273	767	427,107	28,014
2000	35,718	31,817	29,074	2,743	658	461,294	32,681
2001	9,205	30,875	28,357	2,519	318	425,428	31,840
2002	-6,419	29,334	26,787	2,547	236	387,649	30,193
2003	12,714	29,662	26,873	2,789	326	398,186	30,676
2004	20,865	29,803	27,074	2,729	456	427,732	30,493
Operating private foundations							
1985	1,233	1,105	105	1,001	7	10,400	1,415
1986	1,645	856	136	720	5	11,600	1,503
1987	1,103	931	124	807	6	11,337	1,298
1988	991	997	125	872	5	11,384	1,304
1989	1,042	949	104	845	6	11,782	1,376
1990	1,634	1,185	104	1,081	6	11,638	1,494
1991	963	1,162	265	897	5	13,140	1,536
1992	1,139	1,306	266	1,040	6	13,669	1,635
1993	1,182	1,359	190	1,169	6	13,968	1,903
1994	2,190	1,658	411	1,247	6	15,468	2,214
1995	1,711	1,637	420	1,217	12	17,912	2,288
1996	2,268	1,662	392	1,270	14	18,464	2,353
1997	2,301	2,116	649	1,467	17	20,867	2,590
1998	2,835	1,951	486	1,464	25	22,692	2,496
1999	6,832	2,275	479	1,796	49	28,164	2,847
2000	2,986	3,085	1,108	1,977	26	30,155	3,951
2001	-9	3,010	916	2,094	9	27,857	3,508
2002	-536	2,641	857	1,784	9	21,027	3,137
2003	963	2,297	567	1,730	12	22,647	3,055
2004	1,251	2,323	551	1,771	12	23,467	2,993

[1] Noncharitable-use assets, also known as net investment assets, are calculated based on the value of assets not used for charitable purposes.

NOTES: Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments. Detail may not add to totals because of rounding.

Table 5. Excise Tax Data Reported by Private Foundations and Associated Individuals, Calendar Years 2003-2006, in Current Dollars

[All money amount are in current whole dollars]

Item	2003		2004		2005		2006	
	Number of returns [1]	Amount	Number of returns [1]	Amount	Number of returns [1]	Amount	Number of returns [1]	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total tax [2]	**1,681**	**4,156,692**	**1,651**	**7,246,679**	**1,658**	**7,726,515**	**1,759**	**5,316,852**
Individual tax on self-dealing	119	400,275	127	413,501	144	3,094,172	159	2,113,878
Tax on undistributed income	1,549	3,538,275	1,476	5,542,236	1,463	4,200,471	1,529	2,990,274
Tax on taxable expenditures	53	277,420	53	1,035,659	50	364,082	77	145,874
Tax on excess business holdings	4	96,081	4	269,112	4	56,948	7	65,682

[1] The total number of returns may not equal the sum of the number of returns for each tax, as an organization or individual filer may report more than one type of tax per return. Additionally, individual filers may be included on returns filed by organizations.

[2] The total amount of tax may not equal the sum of the amounts for each tax, as certain excise taxes have been excluded to prevent disclosure of individual taxpayer data.

NOTE: Data represent information from Forms 4720 filed by organizations or associated individuals who identified themselves as Form 990-PF filers. These data generally represent private foundations and associated individuals, but include information reported by nonexempt charitable trusts that are treated as private foundations for tax purposes.

Table 6. Exempt Organization Business Income Tax Returns, Selected Financial Data, in Current Dollars, Tax Years 1990-2004

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

Tax year	Number of returns	Gross unrelated business income (UBI)	Total deductions	Unrelated business taxable income (less deficit)	Unrelated business taxable income (UBTI)	Deficit	Unrelated business income tax (UBIT)	Total tax [1]
All organizations								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1990	31,091	3,511	3,513	-2	389	391	99	99
1991	32,690	3,385	3,333	52	431	379	117	117
1992	31,122	4,069	3,960	109	486	377	132	132
1993	32,638	4,694	4,479	215	604	388	180	181
1994	35,657	5,380	5,117	263	643	380	191	195
1995	36,394	6,280	5,787	493	893	400	277	277
1996	40,621	7,295	6,619	676	1,170	494	372	373
1997	39,302	7,809	6,903	906	1,375	469	418	423
1998	46,208	7,585	6,484	1,100	1,670	569	506	464
1999	42,151	7,722	6,835	887	1,485	598	423	422
2000	38,567	8,413	7,703	710	1,427	717	406	403
2001	35,540	7,900	7,883	18	792	774	226	222
2002	35,103	7,776	7,922	-146	647	793	194	193
2003	36,064	8,436	8,413	23	780	757	220	221
2004	38,040	9,492	8,980	512	1,288	776	365	368
Public charities and private foundations								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1990	7,493	1,803	1,886	-83	116	199	33	33
1991	7,846	1,643	1,717	-74	141	215	40	41
1992	8,666	2,312	2,392	-80	162	242	47	47
1993	9,246	2,540	2,618	-78	187	266	55	55
1994	9,277	3,120	3,188	-68	219	287	65	65
1995	9,903	3,583	3,672	-89	202	291	61	59
1996	10,407	4,017	4,049	-32	299	331	94	94
1997	10,614	4,179	4,194	-15	337	352	105	103
1998	10,898	4,127	3,907	220	655	435	216	175
1999	11,614	4,002	4,053	-50	389	439	119	119
2000	11,497	4,780	4,829	-49	469	518	149	146
2001	12,618	4,812	5,080	-268	292	560	86	85
2002	12,803	4,721	5,006	-285	289	574	87	86
2003	13,511	4,833	5,001	-168	352	520	103	102
2004	12,395	5,501	5,388	112	636	524	192	191

[1] Total tax takes into account the unrelated business income tax, minus any tax credits, plus any other types of tax due.

NOTES: Forms 990-T with gross unrelated business income below $1,000 in current dollars, the filing threshold, are excluded from these statistics. Detail may not add to totals because of rounding.

Table 7. Exempt Organization Business Income Tax Returns: Selected Financial Data, in Constant Dollars, Tax Years 1990-2004

[All figures are estimates based on sample—money amounts are in millions of constant 2004 dollars]

Tax year	Number of returns	Gross unrelated business income (UBI)	Total deductions	Unrelated business taxable income (less deficit)	Unrelated business taxable income (UBTI)	Deficit	Unrelated business income tax (UBIT)	Total tax [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
All organizations								
1990	31,091	4,708	4,711	-3	522	524	133	133
1991	32,690	4,387	4,320	67	559	491	152	152
1992	31,122	5,155	5,017	138	616	478	167	167
1993	32,638	5,811	5,545	266	748	480	223	224
1994	35,657	6,526	6,207	319	780	461	232	237
1995	36,394	7,461	6,875	586	1,061	475	329	329
1996	40,621	8,506	7,718	788	1,364	576	434	435
1997	39,302	8,957	7,918	1,039	1,577	538	479	485
1998	46,208	8,609	7,359	1,249	1,895	646	574	527
1999	42,151	8,633	7,642	992	1,660	669	473	472
2000	38,567	9,212	8,435	777	1,563	785	445	441
2001	35,540	8,445	8,427	19	847	827	242	237
2002	35,103	8,173	8,326	-153	680	833	204	203
2003	36,064	8,681	8,657	24	803	779	226	227
2004	38,040	9,492	8,980	512	1,288	776	365	368

Tax year	Number of returns	Gross unrelated business income (UBI)	Total deductions	Unrelated business taxable income (less deficit)	Unrelated business taxable income (UBTI)	Deficit	Unrelated business income tax (UBIT)	Total tax [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Public charities and private foundations								
1990	7,493	2,418	2,529	-111	156	267	44	44
1991	7,846	2,129	2,225	-96	183	279	52	53
1992	8,666	2,929	3,031	-101	205	307	60	60
1993	9,246	3,241	3,241	-97	232	328	68	68
1994	9,277	3,785	3,867	-82	266	348	79	79
1995	9,903	4,257	4,362	-106	240	346	72	70
1996	10,407	4,684	4,721	-37	349	386	110	110
1997	10,614	4,793	4,811	-17	387	404	120	118
1998	10,898	4,684	4,434	250	743	494	245	199
1999	11,614	4,474	4,531	-56	435	491	133	133
2000	11,497	5,234	5,288	-54	514	567	163	160
2001	12,618	5,144	5,431	-286	312	599	92	91
2002	12,803	4,962	5,261	-300	304	603	91	90
2003	13,511	4,973	5,146	-173	362	535	106	105
2004	12,395	5,501	5,388	112	636	524	192	191

[1] Total tax takes into account the unrelated business income tax, minus any tax credits, plus any other types of tax due.

NOTES: Forms 990-T with gross unrelated business income below $1,000 in current dollars, the annual filing threshold, are excluded from these statistics. Data were adjusted based on the chain-type price index for Gross Domestic Product as reported by the U.S. Department of Commerce, Bureau of Economic Analysis. Tax Year 2004 is used as the base year for these adjustments. Detail may not add to totals because of rounding.

The common law is one of the two major and successful systems of law developed in Western Europe, and in one form or another is now in force not only in the country of its origin but also in the United States, large parts of the British Commonwealth and former parts of the Empire. Perhaps its most typical product is English Contract Law, developed continuously since the birth of the common law almost wholly by judicial decision.Â This book, which takes the story up to 1677 (the date of Statute of Frauds) forms the first part of the history of contract law, and is written primarily from a doctrinal standpoint. Keywords: common law, Western Europe, English Contract Law, assumpsit, United States, British Commonwealth. Bibliographic Information. A Brief History of the Estate Tax. Estate taxes are not a new phenomenon; they date back almost three thousand years. As early as 700 B.C., there appears to have been a 10 percent tax on the transfer of property at death in Egypt.1 In the first century A.D., Augustus Caesar imposed a tax on successions and legacies to all but close relatives.Â This would only partially address the impact of the tax, however. Under the unified credit structure, raising the exempt amount above $3 million would make the lowest marginal rate 55 percent, meaning the tax would be even less efficient than current law. While the amount of wealth subject to tax would be reduced, the rate structure would be harsher, increasing the ratio of marginal to average rates. Introduction Kinds of taxes Functions of taxation Tax expenditures Structural features of taxes Tax system design Features of a good tax system The tax unit Tax evasion, tax avoidance and tax planning Sovereign right to tax Jurisdiction to tax International taxation agreements Level of taxation Study questions References and further reading.Â [Â¶1.1] Introduction. Taxation is an ancient and ubiquitous concept that forms one of the central pillars around which civilisation has been built. In his 1925 treatise, Taxation in Australia, Stephen Mills noted that one of the certainties of history is that â€˜no structural society has ever arisen without taxationâ€™. There is no doubt that taxation plays a critical role in society and has the capacity to affect the lives of everyone within it.