



COMMUNITY IMPACT
COALITION

CICOALITION.ORG

NONPROFITS ARE GRANTED TAX-EXEMPT STATUS BY THE IRS TO ENCOURAGE AND SUPPORT ACTIVITIES THAT BENEFIT THE PUBLIC GOOD AND PROMOTE SOCIETAL WELL-BEING.

NONPROFITS ARE DRIVEN BY PURPOSE, NOT PROFIT

Nonprofit organizations share the purpose of coming together to produce positive results. A strong nonprofit sector made up of private associations, charities, civic leagues, veterans' organizations, fraternal societies and other tax-exempt organizations working for the public benefit is a sign of a healthy democracy.

In 1830, French statesman and author Alexis de Tocqueville toured America and remarked that the new nation seemed to be succeeding so well at democracy because Americans of all ages, all stations of life, and all types of disposition were forming associations.

Nonprofit organizations gain tax-exempt status by satisfying the needs of the general public and of the various industries and professions. Without nonprofits, these needs would fall to the government to address or never be addressed at all. Nonprofits provide services and respond in countless ways where the government and for-profit businesses can't, including by facilitating workforce training, advancing medical research, and providing aid following disasters, such as the recent wildfires in the West, hurricanes in the South, and terrorist attacks.

A TRANSPARENT & TRUSTED SECTOR

Tax-exempt organizations are heavily scrutinized by strict regulations that ensure organizations don't operate unrelated trades or businesses as a substantial part of their activities, placing the tax-exempt sector as among the most transparent and heavily regulated in the United States.

Many 501(c) organizations are, in fact, taxpayers. Trade or business income that is unrelated to an organization's exempt activities is already subject to federal income tax.

Nonprofits must also comply with numerous other IRS requirements to ensure they are not maximizing profits for shareholders, like for-profit entities. Associations must be certain net earnings are used for qualified activities, and charitable organizations must not be organized or operated for the benefit of private interests, for example.

These standards are welcome as they help ensure the public understands and trusts that the tax-exempt sector exists to promote social good and create community benefits.

TAX EXEMPTION HAS EXISTED FOR MORE THAN A CENTURY

The federal government first provided tax exemption for associations and charitable organizations in 1913 when Congress enacted the federal income tax. Congress recognized the benefit the public derives from nonprofits, and since then, tax-exempt organizations have provided public good and societal benefits in communities nationwide.

Lawmakers further acknowledged the importance of tax-exempt organizations in 1917 by enacting a charitable deduction to encourage charitable giving and ensure nonprofits could continue to provide vital services to the community.

COMMUNITY IMPACT

Tax-exempt organizations benefit their communities in direct and indirect ways, including by generating significant GDP growth and employing an important share of the workforce.

Nonprofits Provide Jobs

- 501(c)(3) nonprofits alone accounted for 12.8 million jobs, 9.9 percent of private-sector employment, in 2022, according to BLS.¹
- Associations support more than 1 million jobs nationwide, generating \$71.4 billion in wages for families across America. Additionally, association community gatherings support more than 340,000 jobs and generate \$43 billion in spending in communities nationally, providing critical resources to local economies from coast to coast.²

Americans See the Value of Nonprofits

- 501(c)(3)s also leverage the hard work of over 75 million volunteers to impact communities and promote the social good, with nearly 5 billion service hours donated and \$167.2 billion contributed to the economy between 2022 and 2023.³

Nonprofits Strengthen Lives

- Through volunteerism, creating industry standards, disaster relief, medical research, and establishing emergency preparedness, nonprofits serve critical roles in the daily lives of every American.

ABOUT THE COMMUNITY IMPACT COALITION

The Community Impact Coalition is committed to ensuring lawmakers understand the value of 501(c) organizations and advocating against proposals that would eliminate their tax-exempt status. The Community Impact Coalition is supported by a wide range of trade associations, charities, and professional societies.

Questions? Contact Mary Kate Cunningham (mcunningham@asaecenter.org) or Ali Bedford (abedford@integerpolicy.com)

¹ <https://www.bls.gov/bdm/nonprofits/nonprofits.htm>

² <https://powerofassociations.org/resources/>

³ <https://americorps.gov/about/our-impact/volunteering-civic-life>