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GAO

Briefing Report to Congressional Requesters

February 1995

TAX-EXEMPT ORGANIZATIONS

Information on Selected Types of Organizations

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GAO

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The Honorable Byron L. Dorgan
United States Senate

The Honorable Harry Reid
United States Senate

Since the mid-1970s, the number and size of organizations that are tax-exempt under Internal Revenue Code (IRC) section 501(c) have increased substantially overall. As of 1992, there were over 1 million of these organizations in existence.[1]

Press reports and congressional hearings have recently focused on the activities of charitable organizations, but other types of tax-exempt organizations have not received this level of scrutiny. As you requested, we (1) determined the growth in the number, assets, revenue, and expenses of social welfare organizations, labor and agricultural organizations, and business leagues, (2) documented the compensation that some of the largest of these tax-exempt organizations paid their executives in 1992, (3) identified the extent to which these organizations can be involved in lobbying and political activities, and (4) identified IRS' efforts to monitor their activities. Information concerning charitable organizations is presented in this report for purposes of comparison.

On February 15, 1995, we briefed you and your staffs on the results of our review. This report summarizes the information presented in that briefing.

Results in Brief

For the most part, the number and size of tax-exempt social welfare organizations, labor and agricultural organizations, and business leagues increased between 1975 and 1990. The changes over this period are illustrated as follows:

- The number of business leagues increased about 45 percent to 65,869, while the number of social welfare organizations increased about 14 percent to 142,473. Conversely, the number of labor and agricultural organizations declined about 18 percent to 71,653.
- The assets (in 1990 dollars) of all three types of organizations increased. Business leagues' assets increased more than 140 percent to over $19 billion, while those of labor and agricultural organizations increased

[1]Appendix IV describes the types of organizations that are tax-exempt under IRC section 501(c).

about 47 percent to nearly $14 billion and those of social welfare organizations increased about 20 percent to over $35 billion.

- The change in revenue (in 1990 dollars) varied for these types of organizations. While revenue for business leagues increased nearly 144 percent to $18 billion and revenue for labor and agricultural organizations increased about 13 percent to over $12 billion, the revenue for social welfare organizations declined almost 47 percent to $18 billion.
- The change in expenses (in 1990 dollars) for these organizations also varied. The expenses of business leagues increased about 145 percent to just over $18 billion and those of labor and agricultural organizations increased nearly 19 percent to $12.7 billion. Meanwhile, the expenses of social welfare organizations declined about 48 percent to $17.7 billion.

We analyzed the organizations' 1992 annual returns to determine the compensation for the 5 highest paid executives from 46 of each of the largest social welfare organizations, labor and agricultural organizations, and business leagues, as measured by the organizations' assets. Of 673 executives identified, we found that 100 executives (about 15 percent) received $200,000 or more in compensation for 1992. Conversely, 198 executives (about 29 percent) received no compensation for 1992.

IRS is responsible for monitoring the activities of tax-exempt organizations through examinations of their annual returns. In general, between 1990 and 1994 examinations of social welfare organizations, labor and agricultural organizations, and business leagues decreased about 30 percent, while the amount of taxes and penalties resulting from these examinations increased about 200 percent. IRS also revoked the tax-exempt status of 67 of these types of organizations between 1992 and 1994.

Scope and Methodology

To identify changes in the number, assets, income, and expenses of tax-exempt organizations, we reviewed IRS annual reports and studies by its Statistics of Income Division. To portray the changes in the real value of the organizations' assets, income, and expenses, we converted the financial information in these reports, which were available for 1975 and 1990, to 1990 dollars.

To determine the compensation that executives received from social welfare organizations, labor and agricultural organizations, and business leagues, we obtained, and analyzed 285 IRS Form 990 returns—"Return of Organization Exempt From Income Tax"—filed by some of the largest of

these organizations for tax year 1992, the most recent year available at the time of our review. A Form 990 return contains detailed information about an organization's assets, revenue, and expenses, including the compensation paid to its executives. The return must be filed annually with IRS by organizations with gross receipts that exceed $25,000, and must be made available to the public according to the IRC.

As agreed with you, we sought to obtain the Form 990 returns for tax year 1992 from 50 of each of the largest social welfare organizations and labor and agricultural organizations, as well as from 200 of the largest business leagues. We identified these organizations on the basis of the amount of their assets as recorded in an IRS Exempt Organization Business Master File (EOBMF) containing all active tax-exempt organizations as of March 31, 1994. Of the returns we requested, we received and analyzed 46 returns of social welfare organizations, 46 returns of labor and agricultural organizations, and 193 returns of business leagues. IRS was unable to provide the remaining returns at the time of our request. Appendix III lists those organizations for which we received and analyzed a Form 990 return.

Our analysis included an in-depth review of the section of the returns detailing the compensation that the organizations paid to their executives, including officers, directors, and key employees. We defined compensation to include salary; contributions to employee benefit plans, including deferred compensation; and expense accounts and other allowances[2] reported on the organizations' returns. Appendix I lists the executives we identified who received $200,000 or more from these types of organizations. We also identified any compensation that executives of these organizations received from related organizations. Appendix II lists the executives we identified who received compensation from related organizations.

To determine the rules governing lobbying and political activities for these three types of organizations, as well as for charitable organizations, we interviewed IRS Exempt Organization Division staff and reviewed IRS guidelines, regulations, and the Internal Revenue Code. To identify IRS' compliance efforts related to these organizations, including the number of examinations, the taxes and penalties that resulted from these examinations, and the number of organizations for which IRS revoked their tax-exemption, we interviewed IRS Exempt Organization Division

[2]These include expense allowances or reimbursements that recipients must report as income on their individual income tax returns.

staff and reviewed Exempt Organization Division annual compliance reports.

We did our review from March 1994 through December 1994 at IRS' national office in accordance with generally accepted government auditing standards.

Agency Comments

On February 7, 1995, we discussed a draft of this report with IRS Exempt Organization Division officials at the national office. They basically agreed with the information presented in the report and provided some technical comments that were incorporated as appropriate.

As agreed with you, unless you announce the contents of this briefing report earlier, we plan no further distribution of this report until 15 days from the date of this letter. At that time, we will send copies of this report to various congressional committees, the Commissioner of Internal Revenue, and other interested parties. We will also make copies available to others upon request.

The major contributors to this report are listed in appendix V. Please contact me at (202) 512-9044 if you or your staff have any questions about this briefing report.

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and Administration

Contents

Letter 1

Briefing Section Information on Selected Types of Organizations 8

Background on Tax-Exempt Organizations 8
Social Welfare Organizations—IRC 501(c)(4) 10
Labor, Agricultural, and Horticultural Organizations—IRC 501(c)(5) 12
Business Leagues—IRC 501(c)(6) 14
Charitable, Religious and Educational Organizations—IRC 501(c)(3) 16
Number of Tax-Exempt Organizations (1978-1990) 18
Assets of Selected Tax-Exempt Organizations (1975-1990) 20
Revenues of Selected Tax-Exempt Organizations (1975-1990) 22
Expenses of Selected Tax-Exempt Organizations (1975-1990) 24
Inurement of Benefits 26
Reasonable Compensation 28
Executive Compensation Paid by Selected Organizations (1992) 30
Related Organizations 32
Lobbying and Political Activities 34
Tax Deductibility of Contributions, Dues and Membership Fees 36
Process for Obtaining Tax-Exempt Status 38
IRS Examinations of Tax-Exempt Organizations (FY90-94) 40
Taxes and Penalties Assessed Against Exempt Orgs. (FY90-94) 42
Number of Revocations of Tax-Exempt Status (FY92-94) 44

Appendix I Executives of Selected Tax-Exempt Organizations Who Were Compensated $200,000 or More in 1992 46

Appendix II Executives of Selected Tax-Exempt Organizations Who Received Compensation From Related Organizations in 1992 53

Appendix III Assets, Revenues and Expenses of the Tax-Exempt Organizations Included in This Study 59

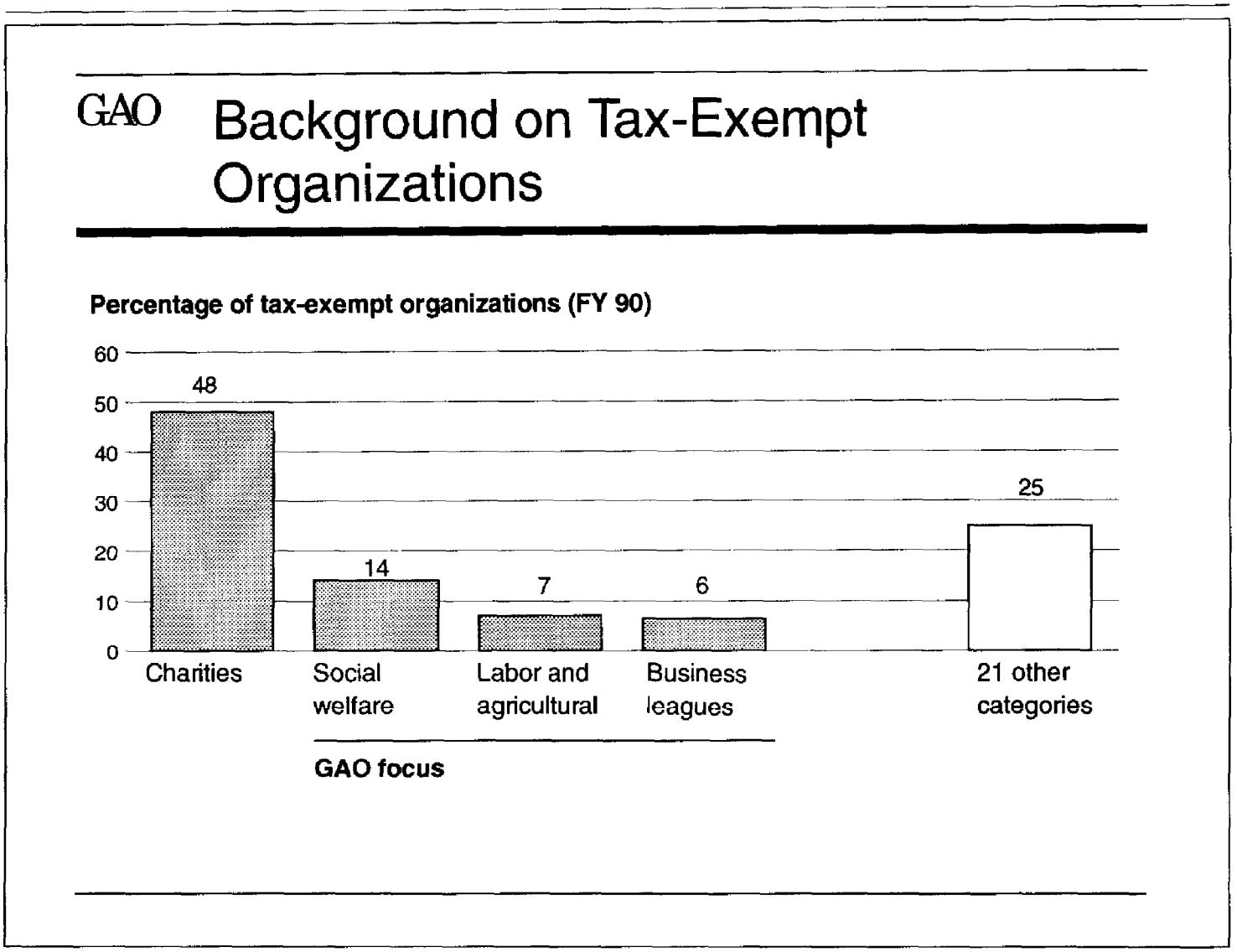
Appendix IV Category and Type of Tax-Exempt Organizations Under IRC Section 501(c) 70

Appendix V Major Contributors to This Briefing Report 72

Abbreviations

COO	Chief Operating Officer
EIN	Employer Identification Number
EOBMF	Exempt Organization Business Master File
GDP	gross domestic product
IRC	Internal Revenue Code
UAW	International Union - United Auto, Aerospace, and Agricultural Workers

Information on Selected Types of Organizations



Sources: IRS Statistics of Income Division and Exempt Organization Business Master File.

Background Information on Tax-Exempt Organizations

Internal Revenue Code (IRC) section 501(c) establishes 25 categories of tax-exempt organizations that enjoy many benefits that for-profit organizations do not. In particular, tax-exempt organizations are required to pay federal income taxes only on unrelated business income. They are also exempt from many state and local taxes. In addition, contributions to charities are deductible from donors' federal income taxes.

Charitable, religious, and educational organizations, tax-exempt under IRC section 501(c)(3), and known collectively as charities, are the largest category. In 1990, of a total of 1,022,223 tax-exempt organizations,[1] charities represented 489,891 (48 percent). Social welfare organizations represented the second largest category of tax-exempt organization in 1990, totaling 142,473 (14 percent). Labor and agricultural organizations ranked fourth, while business leagues ranked fifth, with totals of 71,653 (7 percent) and 65,896 (about 6 percent), respectively. An additional 252,310 organizations (about 25 percent) were exempt in 1990 under the remaining 21 IRC 501(c) categories.

Overall, tax-exempt organizations have grown in number and size since the mid-1970s. Specifically, the total number of exempt organizations has grown about 27 percent, from 806,375 organizations in 1978 to more than 1 million in 1990. Between 1975 and 1990, the assets of these organizations have grown in real terms over 150 percent to more than $1 trillion, and their revenues have grown over 225 percent to about $560 billion, while the growth in real gross domestic product (GDP) for the United States was 52 percent. As of 1990, tax-exempt organizations accounted for approximately 10 percent of GDP in terms of revenue, up from nearly 6 percent in 1975. Charities alone accounted for about 7 percent of GDP in 1990.

This report focuses on social welfare organizations, labor and agricultural organizations, and business leagues, which are tax-exempt under IRC sections 501(c)(4), (5), and (6), respectively. Specific information concerning charitable organizations has been included for comparison purposes.

[1]This total does not include certain 501(c)(3) religious organizations that automatically qualify as tax-exempt and need not apply to IRS for tax-exemption, as well as a small number of other organizations that qualify as tax-exempt under other IRC sections.

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Social Welfare Organizations--IRC 501(c)(4)

- Must be organized and operated exclusively for promotion of social welfare.
- Must promote common good of entire community.
- Examples:
  - American Association of Retired Persons,
  - Minneapolis Police Relief Association.

Definition and Examples of Social Welfare Organizations

Organizations operated and organized exclusively for the promotion of social welfare, including civic leagues, as well as local associations of employees—known collectively as social welfare organizations—are exempt from federal income taxes under IRC section 501(c)(4). The net earnings of such organizations must be used exclusively for charitable, educational, or recreational purposes. An example of an organization operated for the promotion of social welfare is the American Association

of Retired Persons.[2] An example of a local association of employees is the Minneapolis Police Relief Association.

Social welfare organizations must promote the common good and general welfare of the people of the community. Court rulings have further required that a social welfare organization benefit a whole community of people rather than a private group of citizens. For example, in one case the court ruled that a nonprofit corporation formed to acquire and operate a low-cost housing cooperative was not a tax-exempt social welfare organization because, rather than offering a service to the community-at-large, it only provided a service to its members. However, an organization that benefits a private group of citizens can be ruled tax-exempt if it can establish that it also benefits the entire community. For example, IRS has ruled that an organization engaged in the rehabilitation and job placement of its members was tax-exempt because it benefited the community as a whole, even though its membership was limited.

[2]We selected examples of the largest IRC section 501(c)(4), (5), and (6) organizations on the basis of their assets.

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Labor, Agricultural, and Horticultural Organizations--IRC 501(c)(5)

- Must be organized to:
  - improve conditions of persons involved in these fields,
  - improve their products, or
  - develop a higher degree of efficiency in their occupations.
- Examples:
  - International Union - United Auto, Aerospace and Agricultural Workers (UAW),
  - Ohio Farm Bureau Federation, Inc.

Definition and Examples of Labor, Agricultural, and Horticultural Organizations

Labor, agricultural, and horticultural organizations—known collectively as labor and agricultural organizations—are exempt from federal income taxes under IRC section 501(c)(5). These organizations must have one or more of the following objectives: (1) bettering the conditions of persons engaged in the pursuits of labor, agriculture, or horticulture, (2) improving the grade of their products, or (3) developing a higher degree of efficiency in their respective occupations. In addition, the net earnings of these organizations may not inure to the benefit any of their members.[3]

IRS defines a labor organization as an association of workers who have combined to promote their interests by bargaining collectively with their employers to secure better working conditions, wages, and similar benefits. These organizations are generally composed of employees or representatives of employees, but may also include employers, self-employed persons, and independent contractors. They may provide benefits to their members or members' families in the event of a strike, lockout, death, accident, or similar occurrence. An example of a labor organization is the International Union - United Auto, Aerospace, and Agricultural Workers (UAW).

IRS uses the term agricultural to cover both agricultural and horticultural organizations. IRS defines agriculture as the art or science of cultivating the ground, including the preparation of the soil, the planting of seeds, the raising and harvesting of crops, and the rearing, feeding, and management of livestock, as well as the harvesting of aquatic products. IRS defines horticulture as the cultivation of a garden or orchard, as well as the art or science of growing fruits, vegetables, flowers or ornamental plants. An example of an agricultural organization is the Ohio Farm Bureau Federation, Inc.

[3]This prohibition generally states that a person can only receive reasonable payment from an organization for goods and services provided.

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Business Leagues--IRC 501(c)(6)

- Must promote a common business interest.
- Cannot be organized for profit.
- Examples:
  - American Bureau of Shipping,
  - American Medical Association,
  - Chamber of Commerce of the U.S.A.

Definition and Examples of Business Leagues

Business leagues, chambers of commerce, real estate boards, boards of trade, and professional football leagues—known collectively as business leagues—are exempt from federal income taxes under IRC section 501(c)(6). Business leagues cannot be organized for profit, and no part of their net earnings can inure to the benefit of any private shareholder or individual. Examples of business leagues include the American Bureau of Shipping, the American Medical Association, and the Chamber of Commerce of the U.S.A.

Treasury regulations define a business league as an association of persons having a common business interest whose purpose is to promote that interest. To qualify for tax-exempt status as a business league, an organization cannot engage in a regular business of a kind ordinarily carried on for profit, even if the business is operated on a cooperative basis or produces only sufficient income to be self-sustaining. Furthermore, the organization must work toward improving the business conditions of one or more lines of business rather than performing services for a particular business.

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Charitable, Religious and Educational Organizations--IRC 501(c)(3)

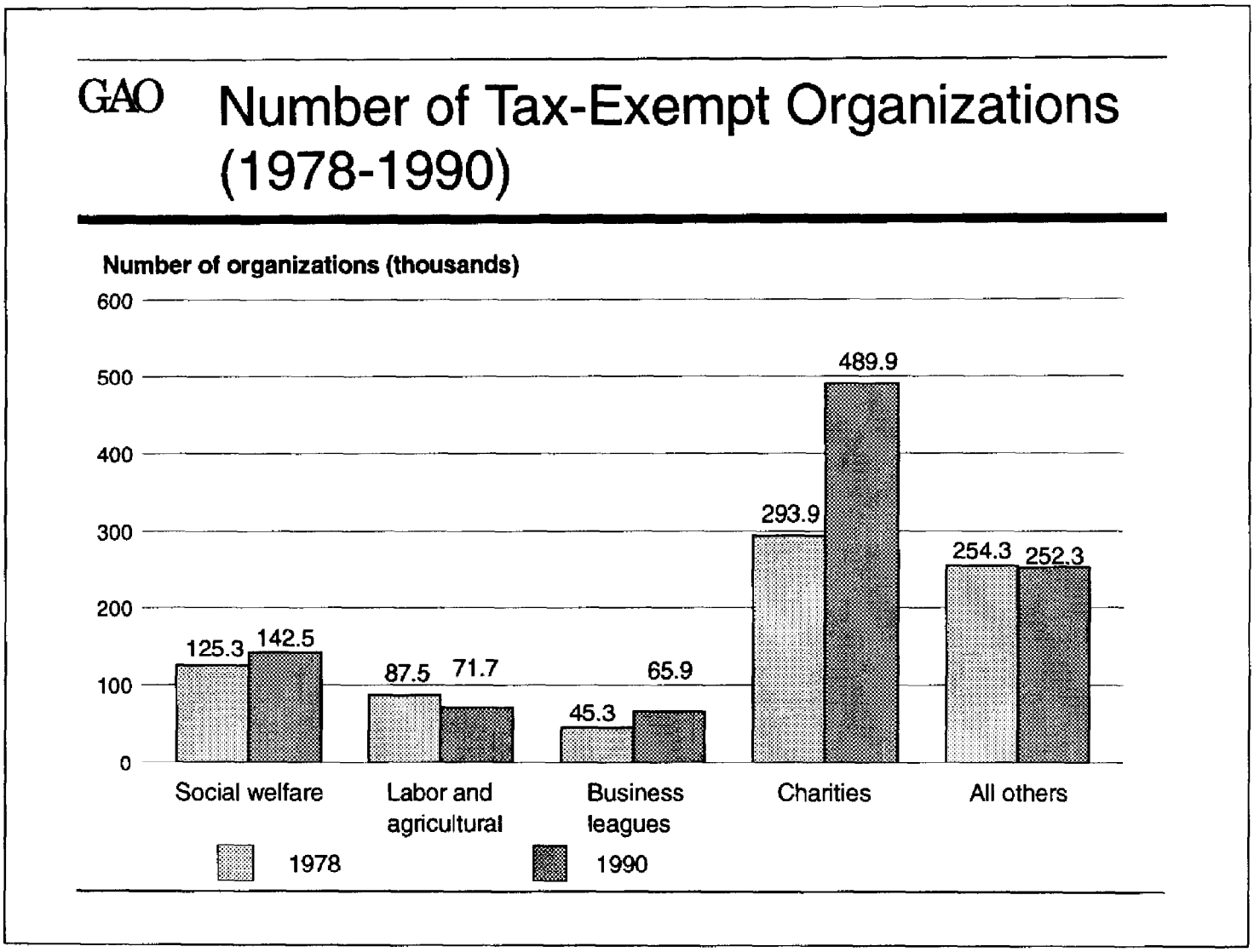
- Must be organized and operated exclusively for exempt purposes.
- Must benefit the general public.
- Examples:
  - Salvation Army,
  - American Cancer Society,
  - Harvard University.

Definition and Examples of Charities

Organizations operated and organized exclusively for charitable, religious, scientific, testing for public safety, literary, or educational purposes—known collectively as charities—are exempt from federal income taxes under IRC section 501(c)(3). Charities must benefit the general public as opposed to benefiting only private individuals or groups. Some activities considered to be charitable include (1) relieving the poor and distressed, (2) advancing religion or education, (3) erecting or maintaining public buildings or monuments, (4) lessening the burdens of government, and (5) eliminating prejudice. Examples of charities are the Salvation Army, the American Cancer Society, and Harvard University.[4]

IRS staff use standards that have evolved over time from both IRS and court rulings when determining whether an organization qualifies as a tax-exempt charity. For example, IRS has determined that an employment agency that operated exclusively to secure employment without charge to the elderly qualified as a charity because it provided services for a segment of the public with limited means. Conversely, IRS has determined that a pharmaceutical service operated by a nonprofit organization was not tax-exempt because, although it provided discount pharmacy services to handicapped and senior citizens, it also provided pharmacy services to the general public. Furthermore, the pharmaceutical service did not provide free or below cost drugs to the poor. As a result, IRS determined that the pharmacy was not operated exclusively for charitable purposes because it was primarily engaged in commercial activity.

[4]We selected examples of charities on the basis of the largest amount of charitable donations received.



Source: IRS Exempt Organization Business Master File.

Number of Tax-Exempt Organizations(1978-1990)[5]

Between 1978 and 1990, the total number of organizations exempt from taxation under IRC section 501(c) increased from 806,375 to 1,022,223, an increase of about 27 percent. During this period, of the three types of organizations that are the focus of this study, business leagues increased the most, about 45 percent, from 45,325 in 1978 to 65,869 in 1990. Social welfare organizations increased nearly 14 percent, from 125,317 in 1978 to 142,473 in 1990. Labor and agricultural organizations declined about 18 percent, decreasing from 87,531 in 1978 to 71,653 in 1990. By comparison, charities increased nearly 67 percent, from 293,947 in 1978 to 489,891 in 1990, while all other tax-exempt organizations combined decreased less than 1 percent, from 254,300 in 1978 to 252,300 in 1990.

[5]Specific data on the number of exempt organizations was not readily available prior to 1978.

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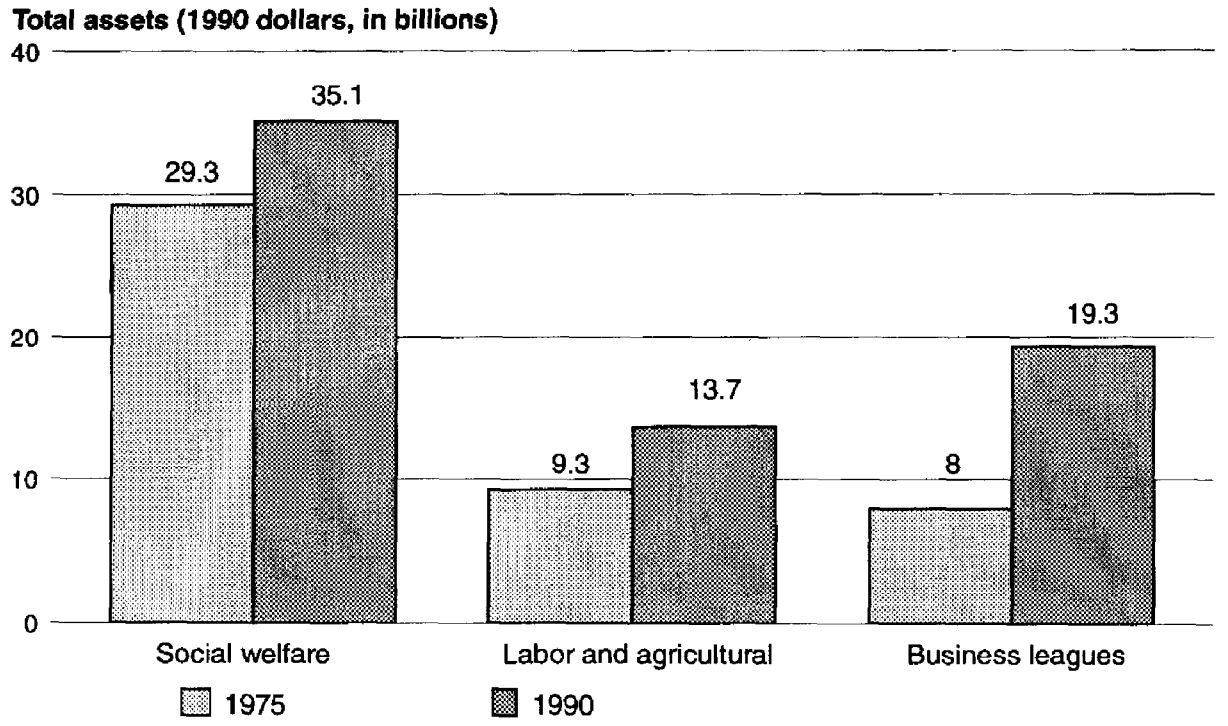
Assets of Selected Tax-Exempt Organizations (1975-1990)



Source: IRS Statistics of Income Division.

Assets of Selected Tax-Exempt Organizations (1975-1990)

Business leagues' assets increased more percentage-wise than those of social welfare organizations and labor and agricultural organizations between 1975 and 1990, in 1990 dollars. Specifically, business leagues' assets increased over 140 percent, from nearly $8 billion in 1975 to more than $19 billion in 1990. Labor and agricultural organizations' assets increased about 47 percent during this period, from $9.3 billion to $13.7 billion, although the total number of these types of organizations declined. Social welfare organizations' assets increased about 20 percent, from $29.3 billion in 1975 to $35.1 billion in 1990.

Investments in securities comprised the single largest asset category in 1990 for all three types of organizations, including social welfare organizations ($7.4 billion), labor and agricultural organizations ($4.6 billion), and business leagues ($6.2 billion).

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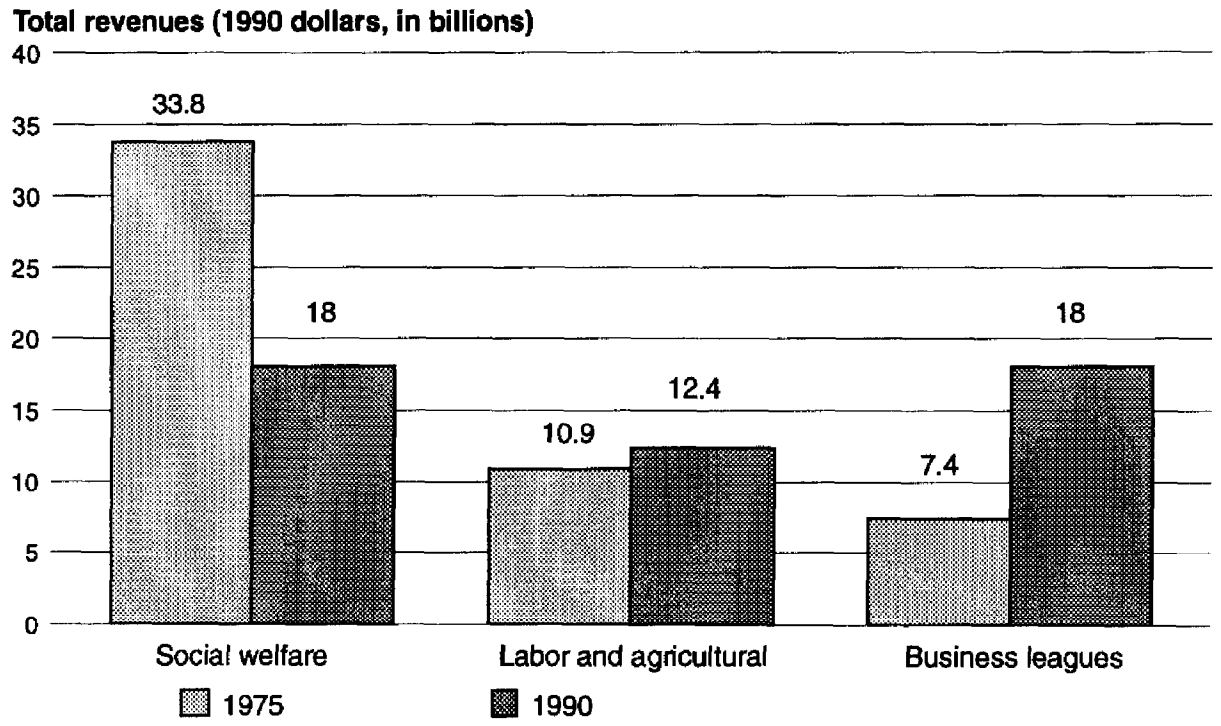
Revenues of Selected Tax-Exempt Organizations (1975-1990)

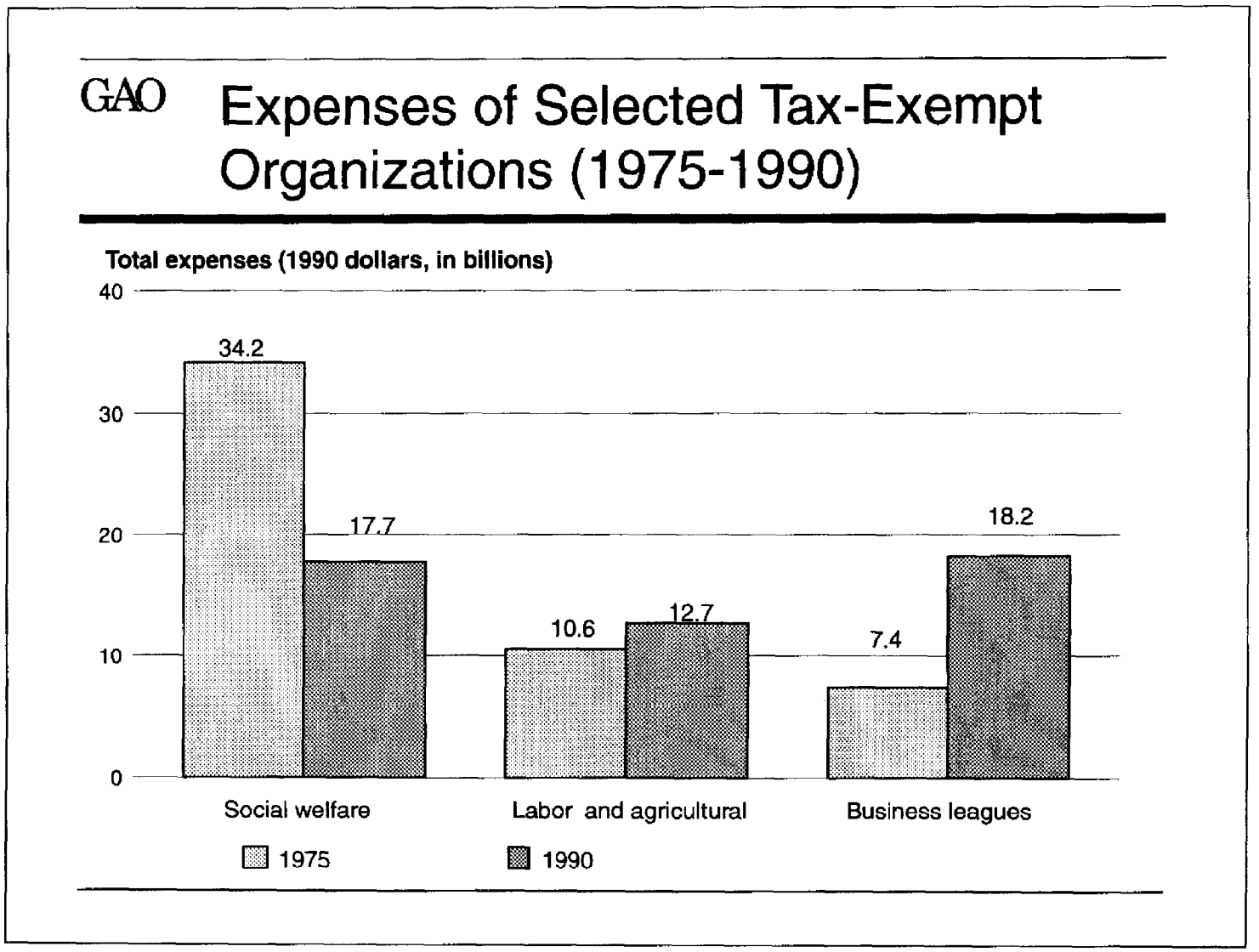


Source: IRS Statistics of Income Division.

Revenues of Selected Tax-Exempt Organizations (1975 to 1990)

The revenues of business leagues also increased more percentage-wise than those of social welfare organizations or labor and agricultural organizations between 1975 and 1990, in 1990 dollars. The revenues of business leagues increased nearly 144 percent, from $7.4 billion in 1975 to $18 billion in 1990. By contrast, the revenues of labor and agricultural organizations increased about 13 percent during this period, from $10.9 billion to $12.4 billion, while the revenues of social welfare organizations declined about 47 percent, from $33.8 billion to $18 billion.

Revenues from program services and membership fees were the two largest revenue sources for business leagues in 1990, totaling over $7 billion each. Program services are the services provided in carrying out the major objectives of a tax-exempt organization, such as the publication of journals and newsletters. Labor and agricultural organizations received most of their revenues in 1990—$7.3 billion—from membership fees, while social welfare organizations received most of their revenues in 1990—$11.5 billion—from program services.



Source: IRS Statistics of Income Division.

Expenses of Selected Tax-Exempt Organizations (1975-1990)

The expenses of business leagues increased about 145 percent, from $7.4 billion in 1975 to $18.2 in 1990, in 1990 dollars, while the expenses of labor and agricultural organizations increased about 19 percent, from $10.6 billion to $12.7 billion. The expenses of social welfare organizations declined about 48 percent, from $34.2 billion in 1975 to $17.7 billion in 1990.

Benefits paid to or for members, at $5.7 billion, was the largest expense item in 1990 for social welfare organizations, followed closely by "other" expenses at $5.2 billion. "Other" expenses, which included various items, such as advertising and consulting fees, comprised the largest expense category in 1990 for both labor and agricultural organizations and business leagues at $3.3 billion and $7.7 billion, respectively. The second largest expense for these organizations was salaries and wages at $2 billion and $2.9 billion, respectively.

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Inurement of Benefits

- Prohibited for charities, labor and agricultural organizations, and business leagues.
- Persons can only receive reasonable payment for goods and services provided.
- Can lead to revocation of exempt status.
- Major determining factor is reasonableness of compensation.

Inurement of Benefits

The Internal Revenue Code prohibits the net earnings of business leagues and charities from inuring to the benefit of any private shareholder or individual, and Treasury regulation section 1.501(c)(5)-1(a)(1) establishes the same prohibition for labor and agricultural organizations. For these organizations, inurement can result in loss of their tax-exempt status. At the present time, there is no similar prohibition for social welfare organizations.

This prohibition generally states that a person can only receive reasonable payment from an organization for goods or services provided. Specifically, inurement exists in several types of circumstances where benefits, such as unreasonable compensation, low or no-interest loans, and personal expenses, flow to an organization's officers, directors, and other "insiders." While there is no absolute measure of inurement, IRS and the courts assess whether the compensation is reasonable for the services provided and if compensation was agreed upon through arms length negotiations.

In a May 1994 report, the Subcommittee on Oversight of the House Committee on Ways and Means concluded that IRS is not appropriately enforcing the current prohibitions on inurement related to its oversight of charities, and recommended that IRS be allowed to invoke an intermediate sanction against any charity that engages in activities resulting in inurement.

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Reasonable Compensation

- Total compensation defined broadly by IRS.
- No absolute limit - judged on case-by-case basis.
- IRS considers:
  - Compensation of executives of similar organizations,
  - Executives' responsibilities,
  - Whether salary was determined at "arm's length."

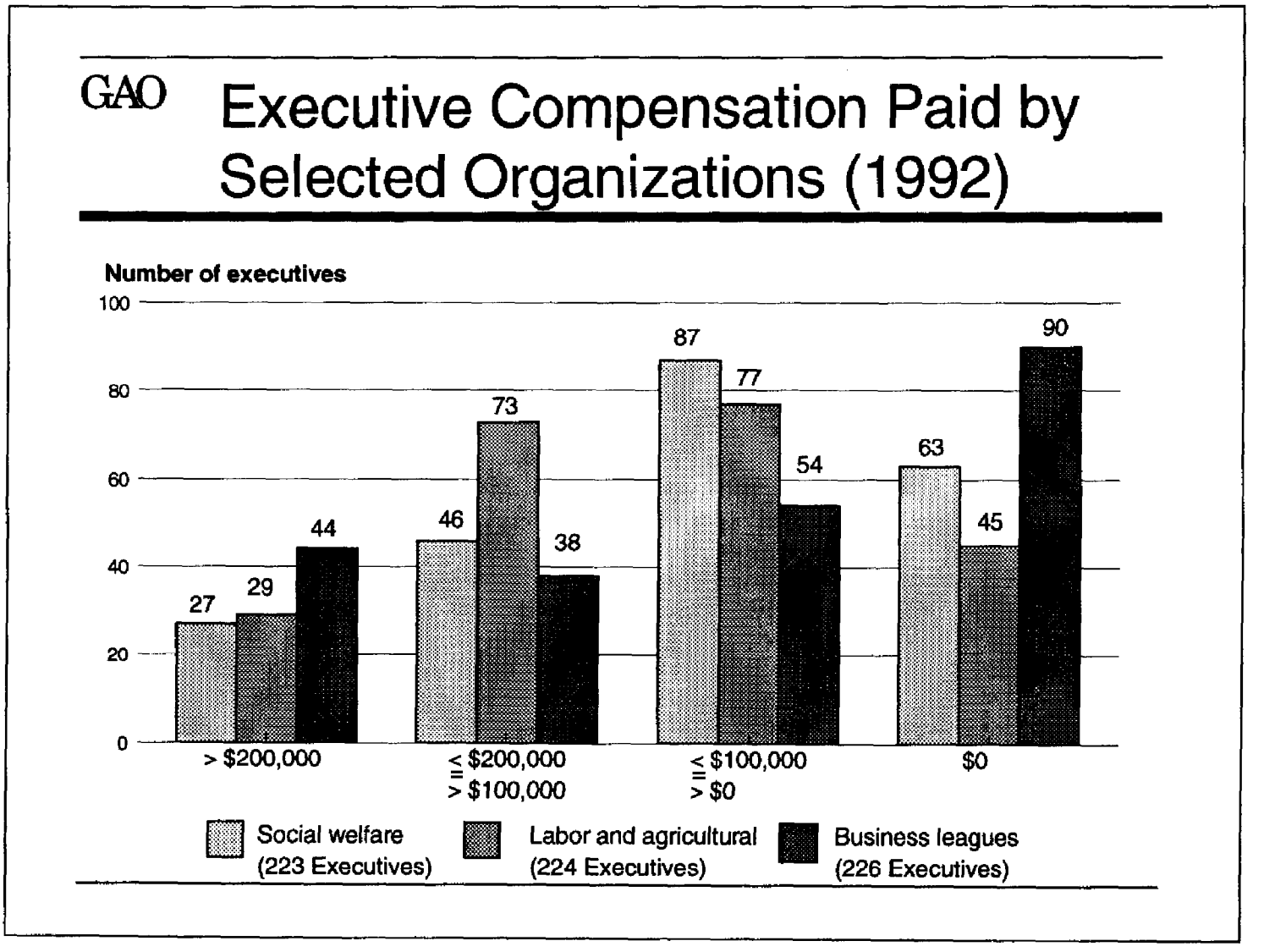
Reasonable Compensation

One of IRS' primary measures of whether inurement has occurred is whether compensation paid to an executive is reasonable. For-profit businesses are allowed to deduct from their taxable income a reasonable allowance for salaries or other compensation for personal services rendered. This standard also has been applied to tax-exempt organizations by the courts as one way to determine whether inurement of benefits has taken place.

When deciding whether compensation is reasonable, IRS first must determine the total amount of compensation paid by the organization. Specifically, IRS considers the following to be compensation: (1) salary or wages, (2) contributions to pension and profit sharing plans, (3) unpaid deferred compensation, (4) payment of personal expenses, (5) rents, royalties or fees, and (6) personal use of an organization's property or facilities.

Once IRS determines the total amount of compensation, it then decides whether the compensation is reasonable. IRS has no pre-set limit on reasonable compensation, but judges reasonableness on a case-by-case basis, as do the courts. For example, in one case the courts determined that inurement existed when a college compensated an executive according to a formula based on stock ownership, rather than paying a reasonable amount for services rendered. In another case, IRS determined that a hospital's contract to pay a radiologist a percentage of the gross receipts of the radiology department did not constitute inurement because the agreement was reached through arms length bargaining and the radiologist had no controlling interest in the hospital.

The primary way IRS determines reasonableness is a comparison of compensation paid by similar organizations. IRS also considers the salary history of the individual, his or her responsibilities, the salary scale of employees in general, and the amount of control the individual has in determining his or her own salary.



Source: GAO analysis of IRS data.

Executive Compensation Paid by Selected Tax-Exempt Organizations (1992)[6]

In 1992, about 62 percent of the highest paid executives of 46 of each of the largest social welfare organizations, labor and agricultural organizations, and business leagues received less than $100,000 in compensation, while nearly 15 percent received $200,000 or more. Specifically, out of a total of 673 executives, including officers, directors, and key employees, identified on the annual returns these organizations filed with IRS, 198 (about 29 percent) received no compensation, 218 (about 32 percent) received from $1 to $100,000, and 157 (about 23 percent) received from $100,000 to $200,000. There were also 100 executives (about 15 percent) who received more than $200,000 in compensation.

Business leagues had both the largest number of executives receiving no compensation as well as those receiving more than $200,000, with 90 and 44, respectively. Labor organizations had the most executives making between $100,000 and $200,000 with 73, while social welfare organizations had the most executives making between $0 and $100,000 with 87.

Of the organizations we reviewed, The PGA Tour, Inc., a business league, paid the highest overall 1992 executive compensation ($4.1 million) to its Commissioner.[7] The highest compensated executive of a social welfare organization was the Chairman, President, and Chief Executive Officer of the Mutual of America Life Insurance Company who received $1.2 million. The highest compensated officer of a labor or agricultural organization was the Executive Director of the Major League Baseball Players Association who received over $900,000.

[6]Our compensation figures include all salary, benefits, including deferred compensation, and expense account items that an employee is required to claim on his or her individual income tax return, such as the value of housing, automobiles or other assets owned or leased by the organization. Although our compensation figures are for 1 year, compensation may vary from year to year.

[7]The examples are presented to illustrate the range of salaries paid by these organizations to their executives. We did not attempt to determine whether or not the compensation was reasonable.

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Related Organizations

- Social welfare organizations could establish a tax-exempt charitable organization.
- Charities could form a tax-exempt social welfare organization.

Related Organizations

A tax-exempt organization may be related to another organization that may be either a tax-exempt or taxable entity. For example, a social welfare organization might establish a tax-exempt charitable affiliate to receive tax deductible contributions, so long as their records show that their finances are kept separate. Conversely, a charitable organization could establish a social welfare organization to carry out lobbying and political activities, so long as the two organizations are separately incorporated, and they can document that contributions made to the charitable organization are not provided to the social welfare organization.

Executives, such as directors and officers, may serve and be compensated by related organizations. Each organization is required to describe its program and financial activities, including any transactions with related organizations, in its annual return filed with IRS. This includes any compensation paid to an executive by a related organization, provided the executive's total compensation is more than $100,000, of which more than $10,000 was provided by the related organization.

Of the 285 organizations we reviewed, 29 reported that their executives met these criteria. The amounts of total related compensation paid to these executives ranged from $12,320 to $711,807 (see app. II).

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Lobbying and Political Activities

Organizations	Lobbying activities	Political activities
Social welfare, labor and agricultural, and business leagues	Unlimited	Limited
Charities	Limited	Prohibited

Lobbying and Political Activities

Lobbying activity involves an attempt to influence legislation through such means as contacting or urging the public to contact a member or employee of a legislative body, or a government official or employee of an executive agency who is in a position to propose, support, oppose, or reject legislation. "Grass-roots" lobbying is an attempt to influence the opinion of the general public concerning legislation.

Lobbying activity is permitted for social welfare organizations, labor and agricultural organizations, and business leagues and can be the primary activity of these types of organizations, providing it relates to their tax-exempt purposes. Certain charities may spend up to a maximum of $1 million annually on lobbying activities, provided that no more than 25 percent of the lobbying expenditures involves "grass-roots" lobbying. Charities that do not elect this lobbying limit may not engage in substantial lobbying activity.

Political activity involves participating or intervening in a political campaign on behalf of or in opposition to a candidate for public office. This type of activity includes the publication or distribution of printed statements and the making of oral statements favoring one candidate over another.[8]

Social welfare organizations, labor and agricultural organizations, and business leagues can engage in political activity, provided it is not the organizations' primary activity. For charities, political activity is generally prohibited. However, nonpartisan voter education, such as disseminating the overall voting record of Members of Congress pertaining to a variety of issues or conducting a "get-out-the-vote" drive, is a permissible activity.

[8]Tax-exempt organizations may establish separate segregated funds for conducting political activities. Such funds, established under IRC section 527, are tax-exempt as "political organizations" provided contributions to the fund are used primarily for political purposes. Due to the strict limitations related to the political activity of charities imposed by IRC section 501(c)(3), a separate segregated fund established by a charity may not be used for political campaign involvement, such as influencing the election of a public official. Social welfare organizations, labor and agricultural organizations, and business leagues have no such limitation.

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Tax Deductibility of Contributions, Dues and Membership Fees

Organizations	Contributions	Dues and membership fees
Social welfare, labor and agricultural, and business leagues	Not deductible	Limited
Charities	Limited	Limited

Deductibility of Contributions, Dues, and Membership Fees Paid to Tax-Exempt Organizations

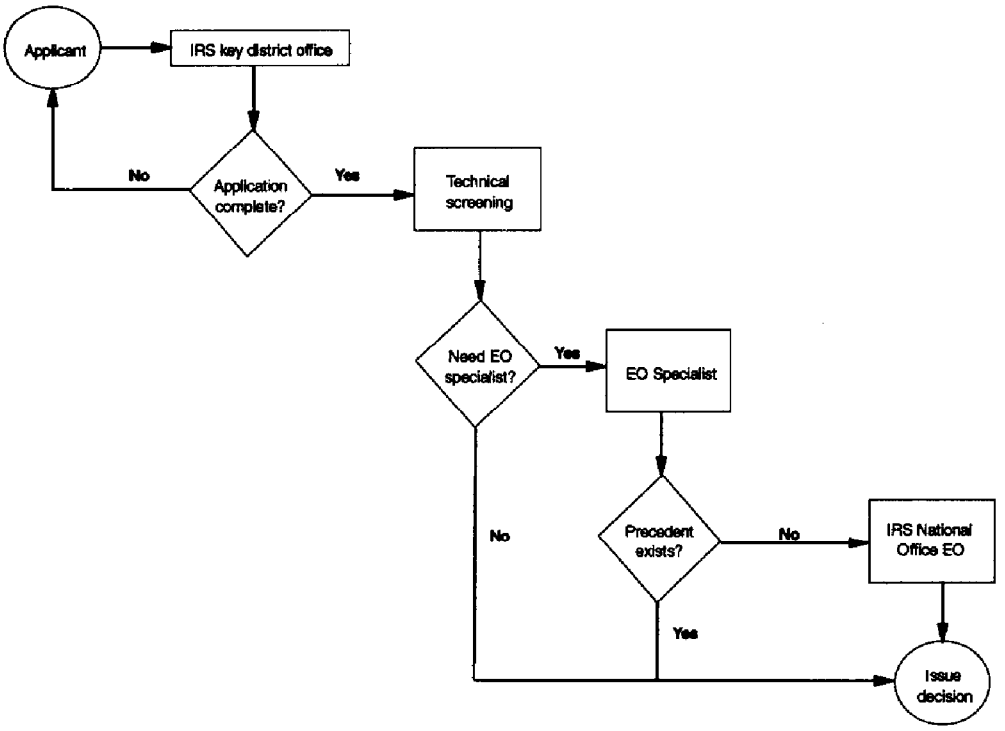
One of the benefits of tax-exempt status is the deductibility of contributions, dues, and membership fees to taxpayers who provide such sources of revenue to tax-exempt organizations. This enables these organizations to raise some of the revenue needed to carry out their tax-exempt purpose.

Contributions to social welfare, labor and agricultural organizations, and business leagues are not tax deductible. Dues and membership fees paid to these organizations are deductible as a business expense, if they are ordinary and necessary for conducting the payor's business. However, the organizations must inform the contributors if any portion of such dues and membership fees is to be used for lobbying, because that portion is not tax deductible to the payors.

Contributions made to charities are tax deductible to the contributors, provided the contributions are not "earmarked" for either political activities or lobbying. Dues and membership fees paid to charities are tax deductible only to the extent that the amount paid is more than the value of any benefits received by the payor.

GAO

Process for Obtaining Tax-Exempt Status



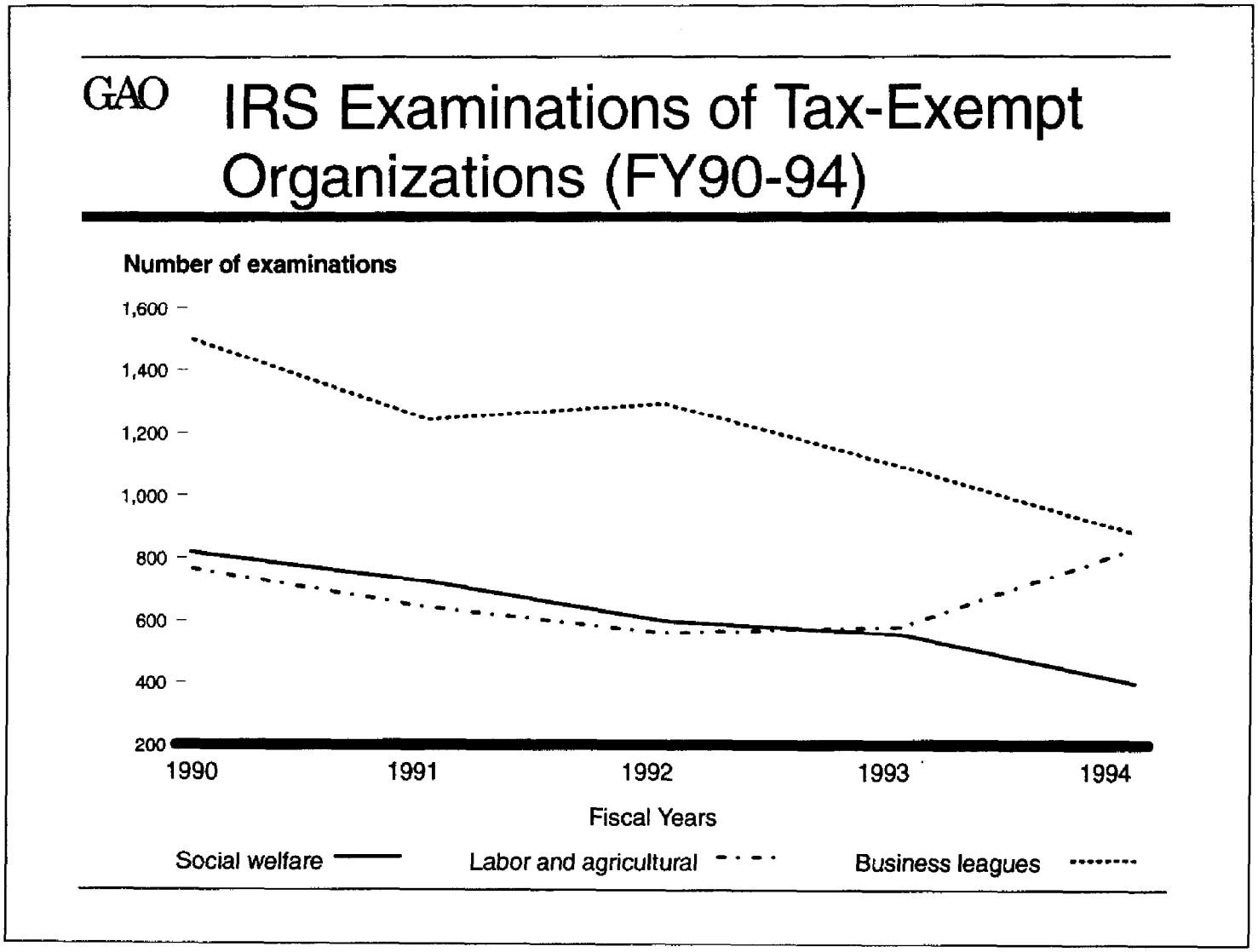
An organization must apply for tax-exempt status to the IRS district office responsible for the geographic location in which the organization maintains its principal place of business.[9] When applying, the organization must submit the following to IRS: (1) a signed application form; (2) an IRS Form 8718, "User Fee for Exempt Organization Determination Letter Request" with the appropriate user fee; (3) IRS Form SS-4, "Application for

[9]In the near future, IRS plans to consolidate its process for determining the tax-exempt status of organizations in one "key" district office.

Employer Identification Number" (EIN) if the organization does not have an EIN; (4) various organizational documents, such as its Articles of Incorporation; (5) a narrative statement of past, present, and proposed activities; and (6) a proposed budget for 2 years for organizations with less than 1 year of operations, and (7) a statement of receipts and expenditures for the current and 3 preceding years, and a balance sheet for the most recent period for ongoing organizations.

IRS district office staff are to review the application package for completeness and determine whether the organization qualifies for tax exemption. If, during the initial screening IRS staff determine that the application package is incomplete, they are to contact the organization to obtain the missing information. Once the application is complete, IRS staff are to conduct a technical screening to determine if the application needs to be reviewed by an Exempt Organization specialist. In general, these specialists review applications that involve unusual circumstances, controversial issues, or contain voluminous attachments. If the specialist has concerns not specifically covered by statute, regulation, Treasury decision, or a ruling published in the Internal Revenue Bulletin, the application must be forwarded to IRS National Office staff for further review. Once the application review has been completed, IRS is to notify the organization with a determination letter.

IRS reviewed more than 57,000 applications for tax exemption in 1992. Of these, IRS approved nearly 44,000 (77 percent) and denied nearly 1,000 (2 percent). An additional 12,000 (21 percent) applications were neither approved nor denied because the organizations either withdrew their application or failed to provide the additional information requested by IRS.

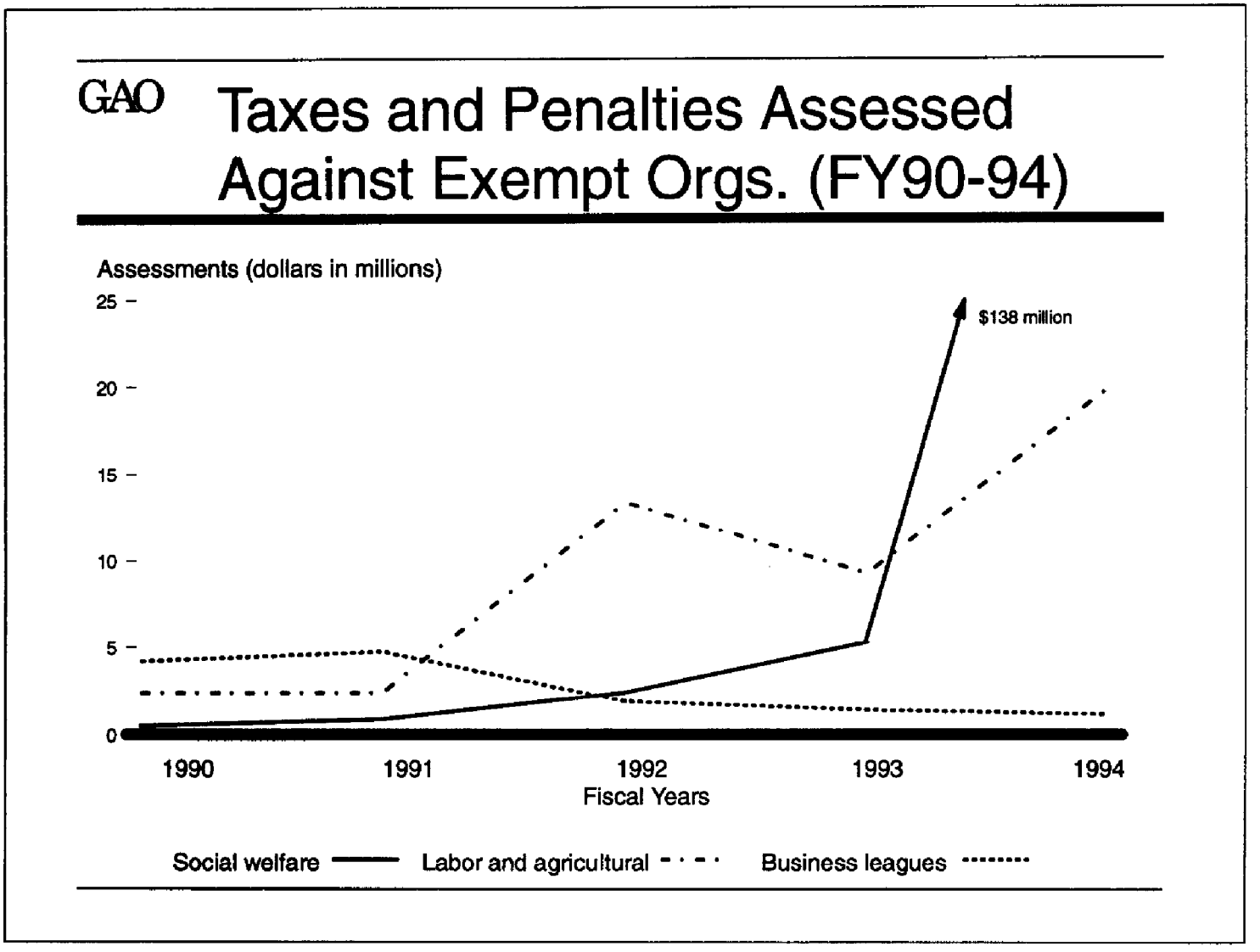


Source: IRS Exempt Organization Division.

IRS Examinations of Selected Tax-Exempt Organizations (FY90-FY94)

Between fiscal years 1990 and 1994, the number of IRS' examinations decreased substantially for both social welfare organizations and business leagues, and increased slightly for labor and agricultural organizations. Specifically, examinations of social welfare organizations decreased from 816 in fiscal year 1990 to 397 in fiscal year 1994. During this same period the number of examinations of business leagues decreased from 1500 to 874. Meanwhile, the examinations of labor and agricultural organizations initially decreased from 764 in fiscal year 1990 to 560 in fiscal year 1992, but then subsequently increased to 828 in fiscal year 1994.

We did not attempt to determine the adequacy of IRS' efforts to monitor the activities of these organizations. However, in its May 1994 report, the Subcommittee on Oversight of the House Committee on Ways and Means recommended that IRS increase both the staffing and funding levels allocated for exempt organization examination and compliance activities, particularly related to charities.



Source: IRS Exempt Organization Division.

Taxes and Penalties Assessed Against Selected Tax-Exempt Organizations (FY90-FY94)

While the combined number of examinations of social welfare organizations, labor and agricultural organizations, and business leagues has declined from fiscal year 1990 to fiscal year 1994, the taxes and penalties assessed against these organizations increased greatly during this period. For example, the taxes and penalties assessed against social welfare organizations increased from $484,554 in fiscal year 1990 to over $138 million in fiscal year 1994. During this period, taxes and penalties assessed against labor and agricultural organizations increased from about $2.4 million in fiscal year 1990 to nearly $20 million in fiscal year 1994, while taxes and penalties assessed against business leagues decreased from nearly $4.2 million to just over $1.1 million. A majority of these assessments resulted from examinations of IRS Form 990T, "Exempt Organization Business Income Tax Return."[10]

[10]Tax exempt organizations must file a separate return and pay income taxes on income over $1,000 that they receive as a result of activities that are not related to their exempt purpose.

GAO

Number of Revocations of Tax-Exempt Status (FY 92-94)

	Fiscal years		
Organizations	**1992**	**1993**	**1994**
Social welfare	10	16	8
Labor and agricultural	1	0	1
Business leagues	6	11	14

Source: IRS Exempt Organizations Division.

Revocations of Tax-Exemption for Selected Organizations (FY92-FY94)

Between fiscal year 1992 and fiscal year 1994, IRS revoked the tax-exemptions of a combined 67 social welfare organizations, labor and agricultural organizations, and business leagues.[11] IRS revoked the tax exemption of 34 social welfare organizations, 31 business leagues, and 2 labor organizations during this 3-year period. IRS was unable to provide us with the specific reasons for these revocations.

In its May 1994 report, the Subcommittee on Oversight recommended that IRS be required to disclose the reasons for revoking an organization's tax-exempt status. At present, IRS is only required to disclose the name of charities that have had their tax-exemption revoked.

[11]IRS could not provide specific data concerning revocations prior to FY 92.

Executives of Selected Tax-Exempt Organizations Who Were Compensated $200,000 or More in 1992

Organization	Title	Compensation
Social welfare organizations		
American Association of Retired Persons	Executive Director	$323,537
AVMED, Inc.	President/Director	235,459
	Senior Vice-President/Director	205,390
Blue Cross Blue Shield Association	President and Chief Executive Officer	777,947
	Executive Vice-President and Chief Operating Officer (COO)	413,091
	Senior Vice-President	221,929
	Senior Vice-President	210,589
	Senior Vice-President	200,960
Connecticare	Executive Vice-President and Chief Medical Officer	282,794
	President and Chief Executive Officer	216,845
Higher Education Assistance Foundation	President	220,452
Independent Health Association, Inc.	President	316,464
	Executive Vice-President	251,865
Marine Spill Response Corporation	President	244,679
	Vice-President-Operations/ General Manager	211,137
Midwest Foundation Independent Physicians Association	Chief Executive Officer	380,718
	Chief Medical Officer	241,995
Mutual of America Life Insurance Company	Chairman, President and Chief Executive Officer	1,209,573
	Senior Executive Vice-President and Chief Executive Officer	328,173
	President and COO	322,338
	Executive Vice-President/Chief Information Officer	313,931
	Executive Vice-President-External Affairs	287,455
Tufts Associated Health Maintenance Organization	President	428,887
	None Given	357,106
	None Given	314,211

(continued)

Organization	Title	Compensation
	None Given	233,810
Washington Dental Service	Executive Director	296,378
Labor and agricultural organizations		
Air Line Pilots Association	President	345,522
American Federation of State, County and Municipal Employees (AFSCME)	President	260,004
	Secretary/Treasurer	222,965
American Federation of Teachers, AFL-CIO	President	209,045
Directors Guild of America	Executive Director	420,627
International Longshoremens	President	272,069
	Secretary/Treasurer	245,494
	Executive Vice-President	233,354
International Union of Operating Engineers	General President	223,897
Laborers International Union of North America	General President	318,827
	Second Vice-President	232,436
	First Vice-President	225,928
	General Secretary/Treasurer	218,149
	Seventh Vice-President	214,264
Local 32B-32J Service Employees International Union	President	267,119
Major League Baseball Players Association	Executive Director-Legal Counsel	931,578
Michigan Education Association	Executive Director	220,632
National Education Association of US, Inc.	President	221,712
New York City District Council 37, AFSCME, AFL-CIO	Executive Director	216,858
	Treasurer	202,749
Screen Actors Guild, Inc.	National Executive Director	318,007
	Assistant National Executive Director	277,706
Service Employees International Union	President	203,080
United Brotherhood of Carpenters and Joiners of America	General President	219,136
United Food and Commercial Workers International Union	President	293,992

(continued)

Organization	Title	Compensation
	Secretary/Treasurer	211,337
United Transportation Union	Vice-President	285,903
	Vice-President	277,105
	President	214,927
Business leagues		
AIPSO	President	275,713
Air Transport Association of America	President	230,603
American Bankers Association	Executive Vice-President	489,951
American Bar Association	Executive Director	230,525
American Board of Family Practice	Executive Director	381,305
American College of Emergency Physicians	Executive Director	270,625
American Dental Association	Executive Director	215,850
American Gas Association	President	343,780
	Senior Vice-President	207,667
	Senior Vice-President	203,125
American Hardware Manufacturing Association	President, Chief Executive Officer and Secretary	373,588
American Health Care Association	Executive Vice-President	310,059
American Hospital Association	President	536,200
	Senior Vice-President	258,766
	Secretary/Treasurer	244,636
	Executive Vice-President	238,540
	Senior Vice President	213,859
American Institute of Architects	Executive Vice-President/Chief Executive Officer	303,787
American Institute of Certified Public Accountants	President	512,947
	Counsel and Secretary	263,195
American Insurance Association Inc.	President	616,176
	Senior Vice-President	260,065
	Senior Vice-President and General Counsel	242,569
	Senior Vice-President	230,782
American Medical Association	Executive Vice-President	486,910
	President-Elect	329,607
	President	298,240

(continued)

Organization	Title	Compensation
	Immediate Past-President	220,070
American Petroleum Institute	President	742,111
	Senior Vice-President	282,393
	Vice-President	215,108
	Vice-President	213,440
	Vice-President	205,387
American Pharmaceutical Association	Executive Vice-President	336,849
American Physical Therapy Association	Executive Vice-President	259,614
American Society of Association Executives	President	430,043
American Society of Hospital Pharmacists	Executive Vice-President	458,773
American Trucking Association, Inc.	President	295,750
AMT - The Association For Manufacturing Technology	President	346,047
Association of American Railroads	President and Chief Executive Officer	488,188
	Vice-President and General Counsel	288,065
	Executive Vice-President	274,393
ATP Tour, Inc.	Chief Executive Officer	871,321
Audio Digest Foundation	Vice-President	207,400
Bank Administration Institute	President/Chief Executive Officer	245,000
Breeders' Cup Limited	Executive Director	209,053
	President	203,077
Cable Television Labs, Inc.	President/Chief Executive Officer	394,038
	Vice-President/COO	385,004
California Association of Hospitals and Health Systems	President	432,998
California Association of Realtors	Chief Executive	250,866
	Vice-President	206,145
California Dental Association	Executive Director	225,443
Chamber of Commerce of the U.S.A.	President	452,704
	Senior Vice-President/Secretary	220,877
	Senior Vice-President	220,877
	Senior Vice-President	220,329

(continued)

Organization	Title	Compensation
Chemical Industry Institute of Toxicology	President	278,848
Cosmetic Toiletry and Fragrance Association	President	542,137
Credit Union National Association, Inc.	President	304,728
Edison Electric Institute	President	272,970
	General Counsel and Executive Vice-President	213,649
Electronic Industries Association	President	475,063
	Group Vice-President	201,096
Food Marketing Institute	President	1,559,305
	Senior Vice-President	254,429
	Senior Vice-President	229,470
Greater Seattle Chamber of Commerce	President	211,909
Health Insurance Association of America	President	422,307
	Vice-President	261,542
	Vice-President	211,379
	Vice-President	208,553
	Vice-President	201,846
Illinois Hospital Association	President	283,858
	Senior Vice-President	219,404
Independent Bankers Association of America	Executive Vice-President	218,728
Institute of Electrical and Electronics Engineers	Executive Director	255,993
International Council of Shopping Centers, Inc.	Executive Vice-President	539,681
Investment Company Institute	President	619,602
	Executive Vice-President	353,698
	Senior Vice-President-Legislative Affairs	299,539
	Vice-President-Tax and Pension	230,361
Motion Picture Association of America	President and Chief Executive Officer	816,368
	Executive Vice-President and COO	606,115
NASDAQ, Inc.	President	214,378

(continued)

Organization	Title	Compensation
National Academy of Recording Arts and Sciences, Inc.	President	612,386
National Association of Chain Drug Stores	President	634,426
	Vice-President-Pharmacy	269,408
National Association of Convenience Stores	President	212,884
National Association of Professional Insurance Agents	None Given	280,360
National Association of Realtors	Executive Vice-President	438,340
National Association of Securities Dealers, Inc.	President and Chief Executive Officer	431,178
	Vice-President	202,072
National Council on Compensation Insurance	President	445,580
	COO	317,772
	Senior Vice-President-Rates and External Affairs	227,256
	Senior Vice-President-Information Resource	200,328
National Electrical Manufacturers Association	President	214,143
National Hot Rod Association	President	335,000
National Institute for Automotive Service Excellence	President	227,925
National Rural Electric Cooperative	Executive Vice-President	233,777
National Soft Drink Association	President	503,798
National Solid Wastes Management Association	Executive Director/Chief Executive Officer	321,090
National Telephone Cooperative Association	Executive Director	232,300
National Wholesale Druggists' Association	Past Executive Director	589,149
New York Shipping Association, Inc.	President	230,550
Newspaper Association of America	President and Chief Executive Officer	815,719
	Executive Vice-President and COO	309,361
Open Software Foundation	President	1,461,569
	Treasurer	914,216
	Secretary	267,299

(continued)

Organization	Title	Compensation
PGA Tour, Inc.	Commissioner	4,103,493
	Deputy Commissioner/COO	693,335
	Executive Vice-President - Marketing	528,580
	Executive Vice-President-Counsel	383,644
	Executive Vice-President	344,866
Portland Cement Association	President	301,324
Public Securities Association	President and Secretary	320,424
	Executive Vice-President	266,613
	Senior Vice-President and General Counsel	208,607
Savings and Community Bankers of America	Former President	310,508
Savings Banks Life Insurance Fund	President (Retired)	213,463
Semiconductor Equipment and Materials International	President	294,812
Semiconductor Research Corporation	President	272,981
Sheet Metal and Air Conditioning Contractors' National Association	Executive Vice-President	232,310
Society for Human Resource Management	President/Chief Executive Officer	334,080
Texas Medical Association	Executive Vice-President	225,277
The Association of Trial Lawyers of America	Executive Director	243,408
The Council for Tobacco Research - USA, Inc.	Chairman/President	340,634
The Hospital Association of Pennsylvania	President	239,241
	Senior Vice-President	207,759
The National Association of Life Underwriters	Executive Vice-President	586,026
	Senior Vice-President-General Counsel	208,145
The Professional Golfers' Association of America	Chief Executive Officer	386,788
The Society of the Plastics Industry, Inc.	President	290,637

Source: GAO analysis of IRS data.

Executives of Selected Tax-Exempt Organizations Who Received Compensation From Related Organizations in 1992

Organization (related organization)	Title	Compensation
Social welfare organizations		
Higher Education Loan Program (HELP) of Kansas	Chairman of the Board and Director	$49,700
HELP Management Corporation		149,100
HELP America Inc.		12,400
HELP D.C. Inc.		24,800
HELP W.V. Inc.		12,400
Total		**$248,400**
Higher Education Loan Program (HELP) of Kansas	President/Secretary/ Treasurer	31,600
HELP Management Corporation		52,800
HELP Management Corporation		15,500
HELP W.V. Inc.		5,400
Total		**$105,300**
AVMED, Inc.	President/Director	235,459
Santafe Management Services, Inc.		16,011
Alachua General Hospital, Inc.		35,676
Total		**$287,146**
AVMED, Inc.	Executive Vice President/Director	147,812
Wellness, Inc.		3,650
Santafe Medical Services, Inc.		3,650
Alachua General Hospital, Inc.		12,744
Bradford Hospital, Inc.		3,650
Suwannee Hospital, Inc.		1,825
Lake Shore Hospital, Inc.		5,475
North Central Florida Rehabilitation, Inc.		3,650
Santafe Management Services, Inc.		1,113

(continued)

Organization (related organization)	Title	Compensation
Total		**$183,599**
Henry Ford Health Care Corporation Self-Funded Liability Plan	President	$0
Henry Ford Health System		700,900
Total		**$700,900**
Henry Ford Health Care Corporation Self-Funded Liability Plan	Trustee	0
Henry Ford Health System		488,108
Total		**$488,108**
Henry Ford Health Care Corporation Self-Funded Liability Plan	Treasurer	0
Henry Ford Health System		395,601
Total		**$395,601**
Henry Ford Health Care Corporation Self-Funded Liability Plan	Trustee	0
Henry Ford Health System		263,210
Total		**$263,210**
Henry Ford Health Care Corporation Self-Funded Liability Plan	Trustee	0
Henry Ford Health System		212,525
Total		**$212,525**
Labor and Agricultural Organizations		
International Brotherhood of Teamsters	General Secretary-Treasurer	187,617
Teamsters Local Union No.30		12,320
Total		**$199,937**
International Brotherhood of Teamsters	Vice President-International Representative	166,564
Teamsters Local Union No. 1999		57,684
Canadian Conference of Teamsters		78,289

(continued)

Organization (related organization)	Title	Compensation
Total		**$302,537**
International Brotherhood of Teamsters	Vice President-International Representative	84,523
Teamsters Local Union No. 938		85,566
Canadian Conference of Teamsters		19,100
Total		**$189,189**
District 37 Benefits Fund Trust	Chairman of the Board	$ 0
AFSCME District Council 37		224,301
Total		**$224,301**
District 37 Benefits Fund Trust	Trustee	0
AFSCME District Council 37		210,016
Total		**$210,016**
District 37 Benefits Fund Trust	Trustee	0
AFSCME District Council 37		184,408
Total		**$184,408**
Seafarers Harry Lundberg School of Seamanship	Trustee	0
Seafarers International Union of North America		68,977
United Industrial Workers, Services, Transportation, Professional, and Government of North America		40,000
Seafarers Building Corporation		24,923
Total		**$133,900**
Joint Employment Committee	Administrator	5,323
MEBA Medical and Benefits Plan		140,540
Total		**$145,863**

(continued)

Organization (related organization)	Title	Compensation
Business Leagues		
National Association of Securities Dealers, Inc.	President and Chief Executive Officer	431,178
NASD Market Services, Inc.		214,378
NASDAQ, Inc.		214,378
Total		**$859,934**
National Association of Securities Dealers, Inc.	Executive Vice President	181,133
NASD Market Services, Inc.		90,566
NASDAQ, Inc.		90,566
Total		**$362,265**
PGA Tour, Inc.	Commissioner	$4,103,493
PGA Tour Golf Course Properties, Inc.		711,807
Total		**$4,815,300**
PGA Tour, Inc.	Deputy Commissioner/COO	693,335
PGA Tour Golf Course Properties, Inc.		676,512
Total		**$1,369,847**
PGA Tour, Inc.	Executive Vice President/Counsel	383,644
PGA Tour Golf Course Properties, Inc.		159,420
Total		**$543,064**
The Hospital Association of Pennsylvania	President	239,241
PHICO Group, Inc.		83,750
Total		**$322,991**
NASDAQ, Inc.	President	214,378
NASD Market Services, Inc.		214,378
National Association of Securities Dealers, Inc.		428,760
Total		**$857,516**
NASDAQ, Inc.	Senior Vice President	92,367

(continued)

Organization (related organization)	Title	Compensation
NASD Market Services, Inc.		75,401
National Association of Securities Dealers, Inc.		20,734
Total		**$188,502**
NASDAQ, Inc.	Executive Vice President	90,566
NASD Market Services, Inc.		90,566
National Association of Securities Dealers, Inc.		181,133
Total		**$362,265**
NASDAQ, Inc.	Executive Vice President	84,710
NASD Market Services, Inc.		84,710
National Association of Securities Dealers, Inc.		169,422
Total		**$388,842**
New Jersey Hospital Association	President	142,871
Center for Health Affairs Inc.		214,089
Total		**$356,960**
New Jersey Hospital Association	Treasurer	0
Center for Health Affairs Inc.		180,457
Total		**$180,457**
New Jersey Hospital Association	Secretary	0
Center for Health Affairs Inc.		169,309
Total		**$169.309**
National Automobile Dealers Association	Executive Vice President	163,586
NADA Services Corporation		104,264
Total		**$267,850**

(continued)

Organization (related organization)	Title	Compensation
National Automobile Dealers Association	Assistant Secretary	72,011
NADA Services Corporation		58,918
Total		**$130,929**
American Trucking Association, Inc.	President	295,750
ATA Litigation Center		45,500
ATA Foundation		45,500
Deliver USA		22,750
ATA Services, Inc.		22,750
Trucking Information Services		22,750
Total		**$455,000**
California League of Savings Institutions	President	79,823
California League Financial Services, Inc.		25,207
Total		**$105,030**
National Wholesale Druggists' Association	President	157,611
NWDA Service Corp.		22,370
Total		**$179,981**
American Insurance Association, Inc.	President	616,176
American Insurance Services Group, Inc.		331,788
Total		**$947,964**
American Insurance Association, Inc.	Senior Vice-President and COO	$186,154
American Insurance Services Group, Inc.		124,104
Total		**$310,258**

Note: This table includes only the top five executives of these organizations who received compensation from related organizations.

Source: GAO analysis of IRS data.

Assets, Revenues and Expenses of the Tax-Exempt Organizations Included in This Study

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Social welfare organizations			
American Association of Retired Persons	$330,638	$292,264	$310,763
AVMED, Inc.	98,346	310,256	288,561
Bank of Sweden Tercentenary Foundation	284,429	20,988	14,371
Blue Care Network of Southeast Michigan	132,446	173,845	158,686
Blue Care Network-Great Lakes	54,598	172,034	169,729
Blue Cross Blue Shield Association	134,320	133,381	131,159
California Vision Service	143,754	304,224	299,865
Capital District Physicians' Health Plan, Inc.	69,372	164,166	151,289
City of Mesa-Municipal Development Corporation	50,152	3,101	2,339
City of Scottsdale Municipal Property Corporation	203,588	41,913	15,178
Columbus Multi-School Building Corporation	57,291	1,653	3,316
Connecticare	60,906	190,645	187,197
County of Riverside Asset Leasing Corporation	580,280	34,651	29,879
CSDA Finance Corporation	274,390	19,787	19,730
Delta Dental Plan of Michigan, Inc.	148,660	401,729	399,206
Delta Dental Plan of New Jersey, Inc.	67,113	130,564	122,605
Disabled American Veterans	144,832	70,995	68,854
Firemen's Association of the State of New York	66,710	9,549	5,610
Firemens Relief Associations of Minnesota	52,968	3,403	1,419
Group Health Association	82,704	251,817	248,624
Henry Ford Health Care Corporation Liability Fund	55,565	23,345	21,712
Higher Education Assistance Foundation	216,210	172,588	62,703
Higher Education Loan Program of Kansas, Inc.	235,523	14,972	10,969
Independent Health Association, Inc.	83,935	252,288	244,398
International Olympic Committee	127,121	18,122	22,696
JADER Trust	101,133	6,194	4,060
Luso-American Development Foundation	130,327	24,890	15,188
Marine Spill Response Corporation	264,818	84,610	72,888
Medcenters Health Care, Inc.	102,899	352,189	349,834

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Merrillville Multi-School Building Corporation	117,269	3,304	5,773
Midwest Foundation Independent Physicians Association	110,063	225,844	213,056
Minneapolis Fire Department Relief Association	165,395	15,777	11,714
Minneapolis Police Relief Association	264,282	41,230	967
Minnesota School Boards Association Insurance Trust	67,554	42,090	42,056
Mohawk Valley Physician's Health Plan	66,183	178,909	175,637
Municipal Improvement Corporation/Los Angeles	69,061	151,037	158,579
Mutual of America Life Insurance Company	5,521,940	746,637	718,746
National Rifle Association of America	111,019	101,781	139,022
New Albany-Floyd County School Building Corporation	57,932	1,242	51
Physicians Health Plan, Inc.	56,639	178,754	178,352
Regional Airports Improvement Corporation	489,656	38,936	38,936
Sisters of Providence Good Health Plan of Oregon	58,863	117,663	111,068
The Buffalo Enterprise Development Corporation	78,897	2,192	2,926
Trans-Alaska Pipeline Liability Fund	327,579	37,746	57,633
Tufts Associated Health Maintenance Organization	88,902	311,821	300,897
Washington Dental Service	73,670	191,874	188,824
Labor and agricultural organizations			
AFL-CIO	77,991	69,037	61,736
Air Line Pilots Association	97,057	82,143	69,723
Amalgamated Clothing and Textile Workers Union-Rochester Joint Board	25,273	3,589	2,053
American Federation of State, County and Municipal Employees	26,862	77,326	74,497
American Federation of Teachers, AFL-CIO	51,073	69,280	63,279
Atlantic Coast District ILA	26,130	3,275	2,726
Bakery Confectionery and Tobacco Workers International	24,178	11,875	12,056
Carrier-ILA Container Freight Station Trust Fund	33,375	14,544	2,330
Dakota's Areawide IBEW-NECA Pension Fund	35,770	3,447	1,295

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Directors Guild of America	45,632	10,553	7,029
District Council 37 Benefits Fund Trust	147,285	155,707	138,853
Educational and Cultural Trust Fund of the Electrical Industry	30,534	1,766	6,926
Holstein-Friesian Association of America	27,845	16,166	16,866
International Brotherhood of Electrical Workers #5	23,421	5,612	4,342
International Brotherhood of Painters and Allied Trades	36,924	24,445	23,483
International Brotherhood of Teamsters	138,104	98,321	129,850
International Ladies Garment Workers	61,032	43,539	45,896
International Ladies Garment Workers Union	383,316	83,969	66,865
International Longshoremens	39,479	10,635	10,684
International Union of Electronic Workers, AFL-CIO	51,441	21,792	19,982
International Union of Operating Engineers	85,802	36,854	23,522
International Union, UAW	1,052,775	386,988	365,476
Joint Employment Committee	23,606	1,923	1,009
Laborers International Union of North America	151,957	52,223	82,546
Local 32B-32J Service Employees International Union	64,207	24,406	17,201
Local One, Amalgamated Lithographers of America	30,112	3,806	17,748
Los Angeles County Fair Association	88,041	30,297	29,446
Major League Baseball Players Association	128,461	38,974	5,927
Michigan Education Association	23,529	41,881	43,198
National Education Association of US, Inc.	127,661	186,472	186,754
National League of Postmasters	26,533	33,892	91,700
New York City District Council 37, AFSCME, AFL-CIO	31,216	26,166	24,654
North Carolina Farm Bureau Federation, Inc.	22,491	6,425	4,321
Retail Wholesale and Department Store Union, Local 338	40,690	6,779	2,380
Retail Wholesale And Department Store Union	24,108	8,165	9,497
Screen Actors Guild, Inc.	40,832	25,747	28,798
Seafarers Harry Lundeberg School of Seamanship	40,183	9,371	15,426

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Service Employees International Union	45,325	57,935	55,026
UAW-Chrysler Skill Development And Training Program	55,368	50,248	28,835
United Brotherhood of Carpenters and Joiners of America	154,532	58,204	56,542
United Food And Commercial Workers International Union	127,861	117,159	108,752
United Mine Workers of America	127,765	37,887	26,077
United Paperworkers International Union	33,025	28,114	26,415
United States Letter Carriers Mutual Benefit Association	67,931	20,145	17,557
United Steelworkers of America International Union	194,904	232,187	237,493
United Transportation Union	48,407	40,937	37,326
Business leagues			
Academy of Motion Picture Arts and Sciences	38,730	17,431	11,909
AIPSO	19,552	11,339	34,291
Air Transport Association of America	13,234	35,871	35,871
Alabama Insurance Guaranty Association	23,383	11,357	11,164
American Association of Nurse Anesthetists	10,786	8,906	7,496
American Association of Oral And Maxillofacial Surgeons	12,979	7,373	6,881
American Bankers Association	82,702	53,318	50,732
American Bar Association	117,925	95,142	88,439
American Board of Family Practice	11,713	5,993	5,334
American Board of Obstetrics and Gynecology, Inc.	9,600	3,508	3,046
American Board of Psychiatry and Neurology	10,187	5,708	4,055
American College of Emergency Physicians	10,135	13,580	13,506
American Dental Association	52,635	43,240	46,023
American Gas Association	24,817	59,383	59,148
American Hardware Manufacturing Association	17,846	7,771	6,451
American Health Care Association	10,707	10,709	10,373
American Health Information Management Association	17,447	8,243	9,304
American Hospital Association	83,379	85,474	85,088

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
American Institute of Architects	44,446	31,396	34,988
American Institute of Certified Public Accountants	71,502	120,200	117,745
American Insurance Association Inc.	10,785	22,607	23,595
American Medical Association	215,144	170,186	174,571
American Nurses Association	11,798	21,375	19,132
American Petroleum Institute	40,790	69,510	70,728
American Pharmaceutical Association	9,291	9,956	9,954
American Physical Therapy Association	16,447	17,017	16,484
American Plywood Association	9,315	13,757	13,464
American Public Transit Association	14,225	9,325	9,142
American Society of Association Executives	12,013	15,752	15,595
American Society of Hospital Pharmacists	29,375	24,837	23,021
American Speech-Language-Hearing Association	26,872	16,330	16,088
American Trucking Association, Inc.	21,192	27,482	27,018
American Veterinary Medical Association	15,263	13,122	12,885
Americus-Sumpter Payroll Development Authority	9,644	1,993	771
AMT - The Association for Manufacturing Technology	19,372	17,879	17,065
Arkansas Capital Corporation	16,976	1,303	1,079
Association for Information And Image Management	14,571	9,992	7,873
Association of American Railroads	41,007	93,240	83,106
ATP Tour, Inc.	24,922	42,759	42,350
Attorney Registration and Disciplinary Commission of the Supreme Court of Illinois	13,495	7,216	5,842
Audio Digest Foundation	17,997	8,201	7,753
Bank Administration Institute	14,620	4,358	4,385
Baseball Office of the Commissioner	18,651	15,636	14,636
Breeders' Cup Limited	31,510	30,041	24,973
Cable Television Labs, Inc.	19,305	11,176	10,046
California Association of Hospitals and Health Systems	16,939	12,353	12,572
California Association of Realtors	12,541	15,961	15,808
California Dental Association	70,445	16,881	10,617
California League of Savings Institutions	12,974	2,650	2,776

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
California Medical Association, Inc.	10,319	16,154	16,891
Career College Association	6,812	10,337	10,792
Central Minnesota Development Company	13,290	1,110	1,087
Chamber of Commerce of the USA	40,916	67,474	80,186
Chemical Industry Institute of Toxicology	20,924	15,454	15,489
Chemical Specialties Manufacturers Association	9,383	3,811	3,519
Chicago Bar Association	16,590	7,526	7,246
Connecticut Insurance Guaranty Association	55,187	10,636	23,394
Construction Industry Manufacturing Association	15,519	8,513	3,425
Cosmetic Toiletry And Fragrance Association	12,611	8,498	8,396
Credit Union National Association, Inc.	12,837	24,028	22,875
Delaware Insurance Guaranty Association	13,921	8,348	3,063
Edison Electric Institute	46,546	61,299	59,154
Electronic Industries Association	47,914	41,440	34,668
Empire State Electric Energy	32,443	2,500	2,625
Florida Insurance Guaranty Association, Inc.	45,203	147,783	221,720
Florida Self Insurers Guaranty Association, Inc.	Unknown	6,552	7,397
Food Marketing Institute	34,241	34,347	33,354
Georgia Insurers Insolvency Pool	18,308	1,511	5,743
Greater Erie Industrial Development Corporation	14,271	1,079	365
Greater Seattle Chamber of Commerce	10,117	7,746	7,764
Health Insurance Association of America	17,963	27,355	32,675
Illinois Hospital Association	16,859	10,769	10,077
Illinois Insurance Exchange Guaranty Fund, Inc.	18,459	1,686	2
Illinois Insurance Guaranty Fund	47,792	23,896	18,887
Independent Bankers Association of America	11,376	8,652	8,024
Independent Insurance Agents of America	14,324	11,105	9,289
Indiana Life and Health Insurance Guaranty Association	43,640	33,291	36,670
Institute of Electrical And Electronics Engineers	109,639	110,474	107,237

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
International Council of Shopping Centers, Inc.	17,639	18,789	17,285
Investment Company Institute	14,518	23,255	22,372
Louisiana Insurance Guaranty Association	28,805	70,760	75,814
Maine Insurance Guaranty Association	15,126	14,039	14,650
Marine Preservation Association	25,660	104,117	85,902
Massachusetts Insurers Insolvency Fund	56,289	33,155	23,782
Massachusetts Medical Society	60,218	55,584	53,005
Medical and Chirurgical Faculty of Maryland	15,198	4,387	3,791
Medical Society of the State of New York	11,369	8,102	8,533
Michigan Automobile Insurance Placement Facility	312,544	242,643	239,053
Michigan Basic Property Insurance Association	52,602	94,813	76,990
Michigan Credit Union League	17,564	5,557	5,180
Michigan Life And Health Insurance Guaranty Association	9,289	9,474	7,728
Michigan Property And Casualty Guaranty Association	30,056	9,560	15,067
Million Dollar Round Table of the National Association of Life Underwriters	13,528	8,473	7,755
Minnesota Insurance Guaranty Association	40,073	24,099	25,490
Minnesota Life and Health Insurance Guaranty Association	25,524	5,053	14,094
Minnesota Workers Compensation Insurers Association, Inc.	46,595	7,138	3,337
Mississippi Insurance Guaranty Association	15,020	5,172	3,945
Mississippi Life And Health Insurance Guaranty Association	13,736	3,349	3,341
Missouri Joint Underwriting Association	11,197	7,779	8,808
Motion Picture Association of America	20,393	29,322	27,860
Motor Vehicle Accident Indemnification Corporation	54,770	34,706	33,023
NASDAQ, Inc.	79,045	62,313	46,554
National Academy of Recording Arts and Sciences, Inc.	19,745	15,769	11,734
National Association of Chain Drug Stores	12,636	14,460	13,549
National Association of Convenience Stores	9,596	7,818	6,961

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
National Association of Music Merchants, Inc.	15,057	5,889	4,733
National Association of Printers And Lithographers	17,254	3,305	3,253
National Association of Professional Insurance Agents	24,617	5,512	5,397
National Association of Realtors	51,529	48,611	57,469
National Association of Securities Dealers, Inc.	286,251	161,972	144,034
National Automobile Dealers Association	42,173	23,468	18,774
National Cargo Bureau	9,874	8,971	7,989
National Council on Compensation Insurance	48,693	100,215	98,890
National Electrical Manufacturers Association	9,282	11,760	11,495
National Federation of Independent Business, Inc.	30,553	63,160	61,917
National Food Processors Association	29,228	17,481	16,557
National Hot Rod Association	23,375	44,120	41,377
National Institute for Automotive Service Excellence	11,500	10,933	8,300
National Live Stock and Meat Board	13,623	53,977	52,773
National Rural Electric Cooperative	39,192	54,625	53,857
National Soft Drink Association	12,230	10,298	7,033
National Solid Wastes Management Association	11,110	14,938	14,001
National Telephone Cooperative Association	14,940	7,600	7,075
National Wholesale Druggists' Association	11,212	7,372	6,870
New Hampshire Automobile Reinsurance Facility	79,042	32,113	1,924
New Hampshire Insurance Guaranty Association	14,087	8,292	4,796
New Jersey Hospital Association	43,160	7,329	6,889
New Jersey Property Liability Insurance Guaranty Association	34,462	174,652	8,618
New Jersey Surplus Lines Insurance Guaranty Fund	34,816	26,043	1,579
New Mexico Property and Casualty Insurance Guaranty Association	9,548	10,343	6,902
New York Shipping Association, Inc.	51,823	181,265	83,085
New York State Bar Association	11,784	13,167	12,287

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Newspaper Association of America	26,263	32,225	32,786
North Carolina Insurance Guaranty Association	17,056	9,042	10,145
North Carolina Life and Health Guaranty Association	33,999	48,129	23,419
North Dakota Insurance Guaranty Association	1,724	137	212
Northern California Golf Association	11,087	3,478	2,992
Ohio Education Association	11,429	28,297	28,291
Ohio Insurance Guarantee Association	57,319	13,211	10,398
Ohio Life And Health Insurance Guaranty Association	92,509	43,250	8,993
Ohio State Bar Association	11,762	5,734	5,065
Oklahoma Property and Casualty Insurance Guaranty Association	20,665	10,627	5,615
Open Software Foundation	27,876	61,860	61,860
Packaging Machinery Manufacturers Institute	11,710	9,051	8,100
Pennsylvania Chamber of Business and Industry	9,639	3,508	3,087
Pennsylvania Insurance Guaranty Association	128,763	11,282	14,103
Pennsylvania Life and Health Insurance Guaranty Association	45,503	69,883	71,326
Pennsylvania Medical Society	23,816	8,634	8,453
Pennsylvania Professional Liability Joint Underwriters	58,275	8,852	3,727
Pennsylvania State Education Association	22,988	30,829	31,033
PGA Tour, Inc.	199,157	174,111	171,341
Portland Cement Association	13,745	10,486	13,439
Printing Industries of America, Inc.	9,711	8,954	9,576
Public Securities Association	11,124	13,310	12,297
Realtors National Marketing Institute of the National Association of Realtors	9,958	7,043	7,546
Regional IDC of Southwestern Pennsylvania	111,673	18,241	19,231
Retail Merchants Association of Greater Richmond	26,024	2,233	2,287
Rhode Island Automobile Insurance Plan	15,638	3,768	3,372
Rhode Island Insurers Insolvency Fund	14,785	19,882	14,680
Savings And Community Bankers of America	28,290	22,394	24,377

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
Savings Banks Life Insurance Fund	17,592	10,858	10,367
Securities Investor Protection Corporation	734,867	73,450	16,850
Self Insurers Security Fund	21,465	6,589	5,078
Semiconductor Equipment and Materials International	15,222	17,349	16,457
Semiconductor Research Corporation	10,491	35,028	35,620
Sheet Metal and Air Conditioning Contractors' National Association	9,492	5,437	6,048
Snake River Power, Inc.	14,485	1,333	1,330
Society for Human Resource Management	14,404	15,433	14,848
South Carolina Property and Casualty Insurance Guaranty Association	9,705	4,001	3,264
State Medical Society of Wisconsin	10,288	4,633	4,542
Tennessee Insurance Guaranty Association	13,354	1,845	1,620
Texas Life Accident Health and Hospital Service Insurance Guaranty Association	63,062	75,747	27,989
Texas Medical Association	28,721	12,601	12,286
Texas Property And Casualty Insurance Guaranty Association	91,068	120,515	97,641
Textile Hall Corporation	21,350	4,539	2,042
The American Society of Anesthesiologists	21,889	13,922	11,318
The Association of Trial Lawyers of America	13,235	15,144	16,531
The Council for Tobacco Research-USA, Inc.	15,111	25,666	25,491
The Economic Development Partnership of Alabama	28,497	14,829	3,599
The Hospital Association of Pennsylvania	194,846	7,200	7,695
The Medical Society of the District of Columbia	9,990	2,153	2,033
The National Association of Life Underwriters	13,135	18,466	22,341
The Professional Golfers' Association of America	44,090	32,647	29,902
The Society of the Plastics Industry, Inc.	28,419	77,212	76,310
Uniform Code Council, Inc.	49,007	10,372	4,636
United States Tennis Association, Inc.	74,862	82,235	90,747
University Research Park, Inc.	14,953	1,815	1,281
Virginia Property And Casualty Insurance Guaranty Association	13,579	2,109	6,997

(continued)

Dollars in thousands

Name of organization	Assets	Revenues	Expenses
WACO Industrial Foundation	12,149	209	275
Wisconsin Insurance Security Fund	13,870	14,602	11,062
Wisconsin Workers Compensation Insurance Pool	224,116	125,086	103,487
York County Industrial Development Authority	226,400	483	446
York County Industrial Development Corporation	15,728	1,045	996

Source: GAO analysis of IRS data.

Category and Type of Tax-Exempt Organizations Under IRC Section 501(c)

Section 501 (c) category	Types of tax-exempt organizations
(1)	Corporations organized under an act of Congress and operated as an instrumentality of the United States, for example, Federal Deposit Insurance Corporation.
(2)	Title holding corporations organized to hold title to property of a tax-exempt organization, collect the income, and deliver the net proceeds to the exempt organization.
(3)	Entities organized and operated exclusively for religious and charitable, scientific, testing for public safety, literacy, or educational purposes, or for the prevention of cruelty to children or animals, or to foster amateur sports.
(4)	Civic leagues or organizations operated exclusively for the promotion of social welfare or local associations of employees (earnings devoted to charitable, educational, or recreational purposes).
(5)	Labor, agricultural, and horticultural organizations organized to provide education and instruction on improving working conditions and products.
(6)	Business leagues, chambers of commerce, real estate boards, and professional football leagues organized to improve business conditions.
(7)	Clubs organized for pleasure and recreational purposes.
(8)	Fraternal beneficiary societies and associations organized to provide for the payment of life, sickness, accident or other benefits to members and operated under a framework of self-governing branches chartered by a parent organization.
(9)	Voluntary employee beneficiary association providing for payment of life, sickness, accident or other benefits to members of the association.
(10)	Domestic fraternal societies and associations operated exclusively for social, educational, religious, scientific, charitable, and fraternal purposes under a framework of self-governing branches chartered by a parent organization.
(11)	Teachers' retirement fund associations organized on a local basis.
(12)	Benevolent life insurance associations; mutual companies, such as electric, irrigation, and cooperative companies organized on a local basis.
(13)	Cemetery companies owned and operated for the benefit of their members and not operated for profit.
(14)	Nonprofit credit unions and mutual reserve funds providing loans to members and reserve funds for domestic building and loan associations, cooperative banks and mutual savings banks, (mutuals must have been organized before 9/1/57).

(continued)

Section 501 (c) category	Types of tax-exempt organizations
(15)	Mutual insurance companies or associations, with net premiums not more than $350,000 providing insurance to members (other than life companies).
(16)	Cooperative organizations established to finance crop operations.
(17)	A trust or trusts providing for the payment of supplemental unemployment benefits.
(18)	A trust providing for the payment of benefits under a pension plan funded by employees, created prior to 6/25/59.
(19)	A post or organization promoting the welfare of past or present members of the Armed Forces.
(20)	An organization or trust providing legal services as part of a qualified group legal services plan.
(21)	A trust or trusts organized to meet black lung disability and liability claims.
(22)	Pension plan withdrawal liability trust created to provide funds to meet payments under section 4223(c) or (h) of the Employee Retirement Income Security Act of 1974.
(23)	Veterans' insurance associations created to provide insurance and other benefits to member veterans.
(24)	Trusts described in section 4049 of the Employee Retirement Income Security Act of 1974.
(25)	Title-holding companies with 35 or fewer entities exempt under IRC section 401 and 501(c)(3) and governmental units.

Source: IRC.

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