

Nonprofits in Washington 1999

By Putnam Barber, The Evergreen State Society.

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– Putnam Barber, Seattle, December 2, 1999

Developments Since 1994

The Evergreen State Society published the first edition of *Nonprofits in Washington* in 1994 as a report for the Washington State Department of Trade and Economic Development.¹ That report assembled in one document the limited data about nonprofit organizations incorporated in Washington State and the organizations located within the state that had been recognized as exempt from federal corporate-income taxes because of charitable and other qualifying purposes. This 1999 report covers much of the same ground, presenting more recent statistics and other new information.

For readers of this report, its most striking feature may be the news that there are now nearly 40,000 nonprofit corporations registered with Washington State, up from nearly 32,000 – an increase of 25% since 1994. For the writer of this report, the most striking change over that five-year period is a vast increase in information available about Washington’s nonprofits and their activities. The tables and discussion published here draw on this additional information to give a more detailed picture of nonprofits at work in Washington in 1999 and the way their numbers have expanded in the recent past.

Use of improved information-processing technologies by both government agencies and research centers makes it possible to access to this expanded and more detailed information. State government agencies now use desktop computers, local-area networks, email and the World-Wide Web. In 1994, they relied on data-processing services provided by centralized information agencies charged with serving many public needs simultaneously. The Internal Revenue Service and the National Center for Charitable Statistics have cooperated to digitize large portions of the financial and operating data reported by charitable nonprofits, permitting the transfer of extensive data on compact disks in a form that can be used by individual researchers with desktop computers. One such disk was supplied to The Evergreen State Society by the National Center in support of this study. It includes some information on nearly 12,000 and extensive financial data for 5,000 federally recognized tax-exempt organizations in Washington State filing reports in 1993 and 1998.

Many other features of the nonprofit sector have changed in important ways in the five years since the first report was prepared. The federal government increased access to information about individual federally recognized nonprofits, especially those charities eligible to receive tax-deductible donations from individuals and foundation support. The Treasury Department issued regulations early in 1999 implementing the provisions of the 1996 “Taxpayer Bill of Rights 2” and specifying that these organizations must provide copies of their annual information returns – called “Form 990” – to everyone who requests them. Since June 1999, individuals – including journalists, watchdog agencies, and regulators – have an unambiguous right to obtain this information with little delay and at low cost directly from any such organization.

This same information is becoming available over the Internet as well. Philanthropic Research, Inc., of Williamsburg, Virginia, operates a large and sophisticated website where data drawn from 990s and other sources is available

¹ The complete text of the 1994 edition of *Nonprofits in Washington* is online at <http://www.tess.org/misc/npinwa.html>.

for several hundred thousand charitable nonprofits, including of course many in Washington State.² Other organizations – notably Action Without Borders³ – offer the public useful information about thousands of nonprofits classified by fields of service and by geography. The Philanthropic Advisory Service of the Council of Better Business Bureaus, the National Charities Information Bureau and the Evangelical Council for Financial Accountability also provide online reports and useful information about large numbers of organizations with national or international programs and activities.⁴ Locally, Washington’s Secretary of State has online listings based on corporate filings and the reports it receives about fundraising.⁵ Finally, in recent months, some nonprofit organizations have placed their own 990s on the World-Wide Web (doing so is encouraged by the new federal disclosure rules).

As the data-processing capabilities of Internet software become more sophisticated and website designers add features to their operations, it will become easier and easier for individuals to compile detailed and specific information about nonprofits at their own desks. Whether their interest is as potential donors, applicants for support or services, gadflies, watchdogs, or simply as observers of this important aspect of American life, people’s difficulty obtaining recent and comprehensive information about America’s, and Washington’s, nonprofit organizations is rapidly going to shrink to insignificance.

At the same time, new forms and sources of assistance have become available to nonprofit organizations in Washington State. NPower⁶ works face-to-face and over the Internet to bring the power of technology to nonprofits. Online Networking for the Environment⁷ offers technical assistance to help activists in the Pacific Northwest protect the environment using electronic communications technologies. Social Venture Partners and the Washington Women’s Foundation both seek to involve high-net-worth individuals directly in the work of nonprofit organizations alongside their gifts of philanthropic support; the Northwest Giving Project has the goal of expanding awareness of philanthropy – its traditions and its tools – among younger people whose work in high-tech or other rapidly growing industries has given them the means but not the experience to play a significant role in supporting community benefit activities. These organizations are based in Seattle while serving a wider territory. Northwest Nonprofit Resources,⁸ based in Spokane, serves nonprofit organizations and their leaders in Montana, Idaho and Washington. The Evergreen State Society⁹ provides information for and about nonprofit organizations through its own website and via its project the Internet Nonprofit Center.¹⁰

Academic training and scholarly attention to the nonprofit sector has also increased in Washington. The editorial offices of one of the leading scholarly journals focused on this field, *Nonprofit and Voluntary Sector Quarterly*, recently moved to the University of Washington campus. Two graduate and one undergraduate schools have initiated or expanded programs focused on

² <http://www.guidestar.org>

³ <http://www.idealists.org>

⁴ <http://www.bbb.org/pas/>, <http://www.ncib.org/>, and <http://www.ecfa.org/>

⁵ <http://www.secstate.wa.gov/charities/>

⁶ <http://www.npower.org/>

⁷ <http://www.onenw.org/>

⁸ <http://www.transform.org/nnr/>

⁹ <http://www.tess.org>

¹⁰ <http://www.nonprofits.org/>

nonprofits. Seattle University grants an Executive Masters in Not-for-Profit Leadership.¹¹ The fifth group of candidates for this degree began the sixteen-month program in the fall of 1999. The Nonprofit Gateway offers a concentration in the topic to MPA students in the Evans School of Public Affairs at the University of Washington's Seattle Campus¹². An affiliate of the American Humanics program offers undergraduates at the University of Washington/Tacoma an opportunity to explore career options in nonprofit work. Some of Washington's Community Colleges, including Clover Park in Pierce County, offer nonprofit programs as well. There are also a large number of short courses and certificate programs meeting needs for specific subject-matter training at these and other institutions.

Grant-giving funds also expanded during this period. According to data from the Internal Revenue Service, in 1993 there were 63 supporting public charities with total assets of \$84 million operating philanthropic and grantmaking programs in Washington. By 1998, there were 111 such organizations with total assets of \$136 million. Bill Gates, III, chairman of the Microsoft Corporation, made substantial gifts to his family foundations during 1999. Because of these donations, the Bill and Melinda Gates Foundation became the world's largest private foundation in that year.

This 1999 report includes a new chapter on a topic not covered in any detail in the earlier edition. Chapter 9 sketches the principal taxes collected from nonprofit organizations operating in Washington by the State and by local governments. Also described are the exemptions and exclusions that have been established by the legislature over the years. Chapter 10 follows with explanations of recent changes in these laws.

Looking ahead to the year 2000, there will be another change in the environment for nonprofits in Washington State. The first year of the new millennium will be Ralph Munro's last year of service as Washington's Secretary of State. First elected to the office in 1980, he came to the office with personal interest and experience in nonprofit work. He drew on that experience throughout his five terms in office to give leadership on issues of state policy affecting nonprofit organizations. He also worked closely with nonprofit leaders seeking insight or assistance with unusual challenges or persistent difficulties. Nonprofit leaders across the state, and for that matter the residents and visitors whose lives have been enriched by nonprofits of every shape and description, have multiple reasons to be grateful to Secretary of State Ralph Munro.

¹¹ <http://www.seattleu.edu/artsci/departments/ips/ipsnfppl.html>

¹² <http://evans.washington.edu/Orgs/NonProfitGateway/index.html>

Executive Summary

This report details the number of nonprofits in Washington, their purposes, their tax exemptions; their contributions to the economy as employers and as holders of assets, grant makers, and recipients of donations. On May 1, 1999, there were 39,677 nonprofit corporations registered with Washington's Secretary of State. 7,855 nonprofit organizations in Washington were exempt from state and local property taxes; 4,767 of these were churches and related facilities. The total of all exemptions from state and local taxes comes to about \$354 million per year. This amount is about 1.7% of the total of all the various exemptions from taxes provided by Washington State law. Figures from 3,340 Washington nonprofit employers show average employment during 1998 of 193,580 workers, with total wages of \$5.4 billion and average wages of \$27,857 for the year. 1,418 charitable trusts, with total assets of almost \$14 billion, were registered with State authorities in 1999. Internal Revenue Service records from about the same time tallied 16,286 federally recognized tax-exempt organizations in Washington. Financial reports from 5,045 of these show they held total assets of \$16.3 billion, made expenditures of \$11.4 billion in the previous fiscal year, and received donations and grants in that year of \$2.4 billion. Detailed information on financial and program activities of these larger public charities summarized for 14 regions of the State is included in an Appendix to this report. Rapid rates of growth in all measures of the size of the State's nonprofit sector appear when 1994's statistics are compared with 1999's.¹³

Washington's tax laws impact nonprofit organizations both because nonprofits engage in taxable transactions and hold taxable assets of all sorts and because there are numerous provisions for distinctive treatment of nonprofits in the tax code; recent changes have reduced some taxes for nonprofits and simplified bookkeeping.

¹³ Reflecting the differences in their programs and responsibilities, the various state and federal agencies whose administrative data have been used to prepare this summary collect and maintain information on overlapping but not identical populations of nonprofit organizations. As a result, the totals in the several agencies' reports differ, as shown, significantly. Resolving the differences in scope is not practical in a study of this sort. See the following sections for important notes on the sources of these figures and cautions about their interpretation.

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1 Washington Nonprofit Corporations

In the spring of 1999, there were 39,677 nonprofit corporations registered with Washington’s Secretary of State in Olympia, of which 38,558 operated from addresses in Washington State.

This large number of incorporated Washington nonprofits includes, in fact, many organizations that are not “charities” in any conventional sense of the term. Data from the Internal Revenue Service, examined later in this report, show that only about 16,000 federally recognized “public charities” operate in the State.

Washington State’s nonprofit corporations statutes specify a broad range of activities eligible to operate with this corporate form. Washington law provides in separate sections for the creation and operation of eight types of nonprofit corporations.¹⁴ The various nonprofit corporations statutes state that these organizations are created when the Secretary of State accepts and files their articles of incorporation. To maintain the corporation in existence thereafter, the law requires each organization to provide current information in the form of brief annual reports.¹⁵

Washington law, however, does not provide arrangements for what are called, in other states, “unincorporated associations.” As a result, organizers of clubs and associations who want to take advantage of the protections and stability of state registration find a convenient and useful format in the nonprofit corporation statutes.

The act of registering as a nonprofit corporation with Washington’s Secretary of State does not, in itself, confer any advantage as compared with a for-profit corporation or, for that matter, any other sort of business organization. To qualify for exemption from specific taxes, to take advantage of special industrial (workers’ compensation) insurance, to be eligible for lower-cost postal rates, or to participate in any of the other state or federal programs that have specific provisions for nonprofit organizations typically requires that the organization complete a separate application and demonstrate that it meets further standards.¹⁶

¹⁴ The definition of a “regular” nonprofit corporation (in 24.03.005(3)) is simple: “a corporation no part of the income of which is distributable to its members, directors or officers.” Another section (24.03.015) lists (but does not limit) purposes: “charitable, benevolent, eleemosynary, educational, civic, patriotic, political, religious, social, fraternal, literary, cultural, artistic, scientific, agricultural, horticultural, animal husbandry, and professional, commercial, industrial or trade associations.” (This section also makes clear that labor unions, cooperatives, banks and insurance companies, which are covered by other laws, are not included.) Seven other types are specifically defined: “Mutual” corporations (24.06); “Corporations Sole” (acting as custodians for property of religious groups) (24.12); Fraternal Societies (24.20); “Building corporations” for fraternal societies (24.24); Granges (24.26); Agriculture Cooperatives (24.32. and 24.34); and Fish Marketing Associations (24.36).

¹⁵ The number 39,677 includes all active regular nonprofit corporations. On any date, though, a small number of corporations will have missed the deadline for filing an annual report. These corporations are carried on the rolls of active corporations for a short interval and then reclassified as “inactive.” For some time thereafter, the Corporations Division may administratively restore the corporation to active status if the necessary report and fees are received. For a further period, the Secretary of State may reinstate a dilatory corporation upon receipt of all required reports and payment of all fees. If, however, a new organization has been formed using the same (or a similar name), the Secretary of State may require the dilatory corporation to find a new name and amend its articles of incorporation and other documents accordingly prior to reinstatement.

¹⁶ Some states do grant across-the-board exemptions from some taxes to registered nonprofit corporations. Practices differ widely across the country. See, for examples, *Sales Tax Exemptions for Charitable, Educational, and Religious Nonprofit Organizations* (Washington, DC: The National Council of Nonprofit Associations, 1999). Tax exemptions available to qualifying Washington nonprofits are discussed in chapter 9 of this report.

The form of nonprofit organization most familiar to members of the general public is one of the many sorts of nonprofit and tax-exempt organizations permitted under state and federal laws and regulations. These “public charities” – known as 501(c)(3) organizations in jargon based on the federal tax code section where they are defined – serve a long list of important purposes. They are hospitals, youth recreation programs and facilities, theatre and dance companies, alcohol- and drug-abuse treatment centers, crisis clinic help lines, historical museums and preservation organizations, colleges and universities, advocates for causes both broadly supported and barely known, and many other sorts of organizations. Their legal status rests on state corporations statutes. The Internal Revenue Code sets the standards they must meet to qualify for exemption from federal corporate income taxes and to be eligible to receive donations providing a tax deduction for most donors. In addition to the familiar category of public charities, state and federal laws recognize quite a variety of other forms and purposes for nonprofit or tax-exempt organizations. This report is focused principally on public charities, partly because of the public interests these organizations serve and partly because much more extensive data is available about them.

The Secretary of State’s office does not routinely compile summary statistics on the number of registered corporations. In response to a request for this study, a tally was prepared from its administrative records to show the number of nonprofit corporations on file as of May 1, 1999.¹⁷

2 Organizations Exempt from State Taxes

During the 1997-99 biennium, tax exemptions provided by law for Washington’s nonprofit organizations reduced the taxes they paid by \$713 million. This amount represents about 1.7% of the impact of all the various tax exemptions in effect in that period.¹⁸

The legislature has created 79 specific exemptions from various taxes available only to nonprofit organizations or related activities. At its first meeting in 1854, for example, the territorial legislature exempted libraries and churches from property taxes. Additional property-tax exemptions for other organizations have been added over the years, as have exemptions from other kinds of taxes and exclusions of certain kinds of transactions involving nonprofit organizations. A general discussion of the taxes imposed on nonprofits in Washington is included in this report as chapter 9.

A fuller sense of the meaning and effect of these exemptions is conveyed by listing a few of the larger ones. Membership fees, contributions and grant income received by nonprofit organizations are exempt from business and occupation (gross receipts) taxes, reducing the taxes these organizations might otherwise pay by about \$60.4 million each year. Tuition fees at private colleges, schools and kindergartens are also exempt, reducing their taxes by \$12.5 million per year.

Such information on the fiscal consequences of tax exemptions is readily available. Every second year the Department of Revenue compiles a report to

¹⁷ Patti Prouty, Information Services Manager, Corporations Division, Office of the Secretary of State, Olympia, Washington, provided the resulting summary data in correspondence.

¹⁸ Washington State Department of Revenue. *Tax Exemptions 1998: A Study of Tax Exemptions, Exclusions, Deductions, Deferrals, Differential Rates and Credits for Major State and Local Taxes in Washington*. Olympia: 1998. Page 10.

advise the Legislature about the effect on potential revenues of statutory tax exemptions.¹⁹

The 1998 edition summarizes the cumulative value of 31 applicable exemptions from property taxes for nonprofit organizations (they are detailed in table 2). 7,638 organizations appear (some, of course, may be in multiple categories). The Department of Revenue estimates the effect of these exemptions at \$260 million for calendar year 1998. In addition to property tax exemptions, nonprofits are eligible for 48 other types of exemption that also reduce potential state and local revenue. The total impact of these other exemptions on the revenues of the state and local governments was \$94.3 million for 1998.

The cumulative effective of these exemptions on total revenues is comparatively small. The Department of Revenue's estimate is that "nonprofit" tax exemptions and adjustments account for just 1.7% of the total impact of all such exemptions on potential state revenues.²⁰ While these nonprofit exemptions have a small impact in proportion to the total of all tax receipts, the financial consequences may still be critically important to the financial health of the specific organizations eligible to receive them.

3 Nonprofit Employers, Employees and Wages

The Washington State Department of Employment Security receives employment and payroll data from 3,340 nonprofit reporting units. They employed 193,580 workers during 1998. These workers were paid more than \$5.3 billion in wages.²¹

Most nonprofits have limited operations and few employees. That is the principal reason for the large difference between the total number of nonprofit corporations registered with the Secretary of State and the number of nonprofit employers identified by Employment Security. One way of demonstrating this point is to note that the 1,289 employees who work for employers reporting six or fewer employees represent less than 2% of the total number of employees shown in table 1.

Nonprofits have, nonetheless, a significant place in the economy as employers. The 193,000 workers employed by identified nonprofit employers represent about 7.4% of the State's July 1998 nonagricultural civilian labor force.²² The reported number is undoubtedly too small. Although many of the larger number of nonprofit corporations identified in IRS or Corporations Division statistics may be small, some are surely also employers who are not currently identified as nonprofits by the Department of Employment Security – no adverse consequence attaches to misidentification of this sort. Further, nonprofits engage the time and talent of hundreds of thousands of volunteers who choose to contribute to their communities by uncompensated efforts not reflected in labor force statistics in any way.

¹⁹ *Ibid.* See especially pages 10-25 and 84-90.

²⁰ *Ibid.* Page 10.

²¹ The Labor Market and Economic Analysis Branch in the Department of Employment Security Department compiles information from Unemployment Insurance deposits and from other reports forwarded by many nonprofits. In response to a request for information for this study, a special tally was made based on 1998 reports from nonprofit employing units. Tim Norris, analyst in the Labor Markets and Economic Analysis Branch, provided this information in correspondence.

²² U.S. Department of Labor, Bureau of Labor Statistics. <http://stats.bls.gov/news.release/laus.t06.htm>. August 27, 1999.

4 Geographic Distribution of Nonprofits and Employers

As might be expected, nonprofits are concentrated in the most populous parts of the State. Fully a third of the nonprofit corporations and nearly 50% of the identified nonprofit employers are located in the City of Seattle and the surrounding areas of King County; more than half the reported nonprofit payroll is located in this densely populated part of the State.

Nonprofit organizations are, of course, active throughout Washington. There is, though, no source of published data that shows their geographic distribution. To fill in this gap, two State departments provided tallies of data in their administrative files for this report and grouped the organizations in their files according to their addresses. Since postal ZIP-codes sharing the same first three digits are located in rough geographic proximity, summarizing information in this way provides a convenient method of showing the concentrations of nonprofits in various parts of the State. Table 1 reports the geographic distribution of nonprofits registered with the Secretary of State in May of 1999 and the nonprofit employers reporting to the Employment Security Department during the previous year. Table 4 in the Appendix uses the same fourteen areas of the State to present detailed financial statistics for 5,045 reporting nonprofits classified by field of service.

Significant concentrations of nonprofits and nonprofit employers are found in the populous parts of the State. Seattle and the surrounding communities have the largest numbers. Other areas, such as Clark County (directly across the Columbia River from Portland, Oregon), Spokane city and county, and Pierce County, home of the city of Tacoma, also have important concentrations. More rural areas show lower totals of organized nonprofits. Some programs and services are simply not available in these areas of course. Others may be offered by multi-service agencies that appear in statistical tallies only once, while in the more urban areas counterpart services are offered by specialized and separately incorporated agencies.

The payroll per worker varies greatly across the State as well.²³ Employers in the area surrounding the City of Spokane accounted for the lowest level for this statistic at a little under \$16,000, while eight of the 14 ZIP-code regions had average payroll per worker figures over \$25,000. Suburban King County (\$26,363), Spokane itself (\$29,257) and the City of Seattle (\$30,792) showed the highest levels. These variations almost certainly reflect the concentration of hospitals and private colleges and universities in these larger cities. Not only do such institutions account for a large proportion of the nonprofit workforce but they are among the employers in the nonprofit sector with the highest salary schedules and the most stable income streams.

²³ This statistic is not the same as average wages, of course, since the figure reported by Employment Security includes people who worked for less than a full year and part-time workers.

Table 1. Registered Nonprofit Corporations and Reporting Nonprofit Employers, by ZIP-Code Region, Washington. 1999 and 1998

ZIP-code Region	Registered with the Secretary of State May 1, 1999		Employers Reporting to Employment Security (Nonprofit Reporting Units) 1998						
	Nonprofit Corporations	% of Total	Total NP Units	% of Total Units	Number of Employees	% of Total EEs	Total Wages	% of Total Wages	Units Reporting Less Than Employees
980xx King County (not Seattle)	6,392	16.1%	388	11.6%	15,070	7.8%	\$397,293,660	7.4%	1
981xx Seattle and Bainbridge Is.	6,763	17.0%	939	28.1%	77,867	40.2%	\$2,397,652,342	44.5%	3
982xx NW portion of state	4,462	11.2%	385	11.5%	13,466	7.0%	\$300,279,053	5.6%	1
983xx Olympic Penninsula, Pierce Co.	3,283	8.3%	231	6.9%	9,293	4.8%	\$221,034,592	4.1%	1
984xx Tacoma & environs	6,153	15.5%	233	7.0%	18,096	9.3%	\$484,500,574	9.0%	
985xx Thurston Co.	2,663	6.7%	194	5.8%	8,410	4.3%	\$214,346,597	4.0%	
986xx SW portion of state	2,192	5.5%	199	6.0%	8,343	4.3%	\$227,213,606	4.2%	1
988xx North Central portion of state	1,172	3.0%	124	3.7%	2,824	1.5%	\$63,166,423	1.2%	
989xx South Central portion of state	1,154	2.9%	145	4.3%	9,989	5.2%	\$257,379,000	4.8%	
990xx Spokane vicinity (not city)	432	1.1%	26	0.8%	527	0.3%	\$8,339,467	0.2%	
991xx North East portion of state	1,126	2.8%	51	1.5%	1,266	0.7%	\$24,611,888	0.5%	
992xx Spokane (city)	1,507	3.8%	243	7.3%	20,743	10.7%	\$606,873,970	11.3%	
993xx South East portion of state	1,249	3.1%	153	4.6%	6,935	3.6%	\$178,950,940	3.3%	
994xx South East corner of state	10	0.0%	6	0.2%	317	0.2%	\$7,342,393	0.1%	
Out of state or unknown	1,119	2.8%	23	0.7%	434	0.2%	\$3,478,670	0.1%	
Total	39,677	100%	3,340	100.0%	193,580	100.0%	\$5,392,463,175	100.0%	1,2

Source: The Evergreen State Society using data provided by the Corporations Division, Office of the Secretary of State, and LMEA, Department of Employment Security, State of Washington.

5 Charitable Trusts

In September 1999 there were 1,418 charitable trusts registered in Washington; their reported total assets at that time were \$14 billion.²⁴

Charitable trusts are another form of nonprofit organization. People who wish to designate part of their wealth for such purposes in their wills often establish charitable trusts. They are formed in accordance with different laws and operate under different rules than nonprofit corporations. Washington, like many other states, requires the registration of certain charitable trusts and establishes standards for how they must be formed and operated.²⁵

Many trusts fulfill their charitable purposes by making gifts or grants to individuals or organizations meeting the conditions specified in the trust. Some provide scholarships to particular schools or for students from particular areas. Others support the work of United Way, other broad-based fundraising efforts, or a particular institution such as a church or research institution. Still others support specific program purposes, leaving it up to the trustees to choose recipients at stated intervals or when sufficient funds become available from earnings.

Registered trusts reported assets of \$13,965,388,672 in 1999. Since trusts of less than \$250,000 are not required to register, this total undoubtedly understates by a considerable amount the full assets of the trusts that exist in the State. No practical method of estimating the assets of smaller trusts is available.

To make information about trusts available to the interested public, the Secretary of State publishes a *Charitable Trust Directory*. This directory is often used by grantseekers as an index of potential sources of support. The 1999-2000 edition lists 480 organizations of which 267 describe themselves as “grantmaking” organizations and the balance are “grantseekers.”²⁶ Trusts may request not to be listed in the directory. The approximately 1,000 trusts that decline to be listed do so because they usually do not make grants or respond to unsolicited proposals and wish to avoid the burden of corresponding with organizations and individuals seeking support. Grantseeking organizations register as trusts to provide extra assurance about their handling of funds they receive from donors or because they administer an endowment of such size as to require registration. These organizations appear in the directory as well.

Some of these registered trusts are also recognized 501(c)(3)s by the Internal Revenue Service. 452 of these were identified as “philanthropic” or “grant-making” organizations in 1998. Of these, 134 provided financial data showing total receipts of \$105 million and total year-end assets of \$142 million.²⁷

²⁴ Becky Sullivan, Corporations Division, Office of the Secretary of State provided this information in correspondence. The figure for total assets does not include information from newly formed trusts and a handful whose reports had not been received in a timely manner.

²⁵ Trusts are defined and regulated in 11.110 Revised Code of Washington (RCW) and 434-120-300 through -330 in the Washington Administrative Code (WAC). Since 1994, the number of trusts that must register has been significantly reduced by two changes. Most “Charitable Remainder Trusts” included in the wills of living persons no longer have to be registered. Under most circumstances, such trusts are not required to register until the terms of the wills take effect. Also, trusts with less than \$250,000 in assets are no longer required to register.

²⁶ Charities section, Office of the Secretary of State. Olympia, WA: 1999.

²⁷ Data from the Internal Revenue Service, provided by the National Center for Charitable Statistics.

6 Federal Tax-Exempt Organizations in Washington

There were 16,286 active federally recognized public charities (501(c)(3) organizations) located in Washington around the year 1997. Financial information is available for 5,045. These reporting organizations had total expenses of \$11.4 billion, total assets of \$16.2 billion, and total revenue of \$12.2 billion, of which \$2.4 billion came from gifts and grants (“public support” in the IRS lexicon). The difference between total revenue and public support – \$9.8 billion – represents the amount earned from fees and other sources of revenue.²⁸

These figures do not, of course, include information for the more than 11,000 – mostly smaller – recognized public charities not required to file reports with the IRS.²⁹ It is also true that some of the organizations headquartered in Washington operate major programs in other states or abroad. At the same time, of course, many out-of-state nonprofits are active in many ways that benefit Washington communities both directly and indirectly. The relationship between the reported statistics for nonprofits with addresses in Washington and the level of services provided by such organizations in the State is an unknown. Providing a precise measure would be an extremely difficult statistical challenge.

Further, the IRS statistics do not include financial data about most churches and religious organizations. The government has allowed them broad exemptions from reporting to avoid infringing on the independence guaranteed by the United States Constitution. Hence, the summaries here do not include complete financial information for the group of nonprofits that most likely receives just under half the total donated by individuals and bequests each year.³⁰ Information for some “religion related” organizations does make its way, though, into the figures compiled by the IRS. Some churches file 990s voluntarily or because they have obtained 501(c)(3) recognition for some reason, possibly to qualify for grants for charitable but not religious purposes such as day care or senior services. 277 such organizations reported \$78.7 million in assets in their 1997 filings with the IRS.

These figures come from the National Center for Charitable Statistics, which cooperates with the Internal Revenue Service to tally data about such organizations. More information from the National Center for Charitable Statistics is reported elsewhere in this report; the next chapter presents summary data on fields of service for reporting 501(c)(3)s and table 4 in the Appendix offers details of program services and financial information for organizations grouped into ZIP-code regions corresponding to the data in table 1.

There are other forms of organizations that are exempt from federal corporate income taxes. The section 501 of the tax code includes 24 other subsections in

²⁸ National Center for Charitable Statistics. <http://nccs.urban.org/>. September 28, 1999. See table 4 in the Appendix.

²⁹ Organizations with less than \$25,000 in annual revenues and \$100,000 in assets are not required to file Form 990, though some do without providing financial details in order to maintain their place in the IRS roster of exempt organizations. Nonprofit organizations file their annual reports throughout the year, leading to difficulties in assembling data for a specific calendar year; hence the 1998 numbers in the text are for reports filed for a period described by the National Center for Charitable Statistics as “circa 1997.” NCCS assigns each annual report to a specific year to assure consistency.

³⁰ Nationally, contributions by individuals to religious organizations are estimated to account for 44% of total 1998 contributions of \$174.52 billion. AAFRC Trust for Philanthropy. <http://www.aafrc.org/NEWS.HTM> (10/17/99). The American Association of Fund Raising Counsel and its Trust for Philanthropy publish a detailed annual report called *Giving USA*.

addition to the one providing for public charities while farmers' cooperatives are authorized by section 521 and political organizations by section 527. Section 501(c)(4) describes "social welfare" organizations. They address public policy issues through education and lobbying. Gifts to social welfare organizations do not generate tax-deductions for donors. Section 501(c)(6) authorizes business leagues such as chambers of commerce and associations representing members of a particular industry. Section 501(c)(10) includes fraternal benefit organizations and 501(c)(19) veterans' groups.³¹ Though the precise terms and conditions vary from type to type, a key concept that underlies exemption from federal corporate income taxes is that any surplus of revenues over expenses ("profit" in one sense of the term) earned by such organizations must be reserved for further public-benefit purposes and cannot be distributed to owners, stockholders or other insiders.³²

Summary statistics for other types of federally recognized tax-exempt organizations are not available on a state-by-state basis. In 1995 the IRS reported that 501(c)(3) organizations accounted for 51% of the 1.2 million organizations in all categories that had been recognized by the IRS as tax-exempt, 501(c)(4)s for 11%, and 501(c)(6)s 6%.³³

7 Fields of Service

602 of the 5,045 reporting public charities in Washington State were identified as schools and other educational institutions; 362 were arts and other cultural organizations; 316 operated religious programs; and 316 provided human services of various types. Churches accounted for 4,578 of the 7,855 parcels in the State identified as exempt from property taxes because they are exclusively used for nonprofit purposes; charitable human service organizations occupied 710 such parcels and schools 485.³⁴

Public charities, their employees and their volunteers focus energies on an extraordinary range of activities and services. Information from both state and federal sources sheds some light on the variety of programs they undertake.

To qualify for an exemption from state and local property taxes, a nonprofit must document eligibility under a specific section of the Washington tax code. The IRS and the National Center for Charitable Statistics use a classification scheme called the National Taxonomy of Exempt Entities (NTEE) to group organizations filing 990s into broad categories. It is possible to identify each of the 30 kinds of organization exempt from property taxes with an NTEE classification in order to look at both the state and federal data in broadly

³¹ An item in the Nonprofit FAQ offers further information. See <http://www.nonprofits.org/npofaq/16/08.html>.

³² This concept goes by the name of "the non-distribution constraint." Section 501(c)(3), for example, describes organizations "no part of the net earnings of which inures to the benefit of any private shareholder or individual." In contrast to 501(c)(4)s, public charities may not engage in "substantial" lobbying efforts. Section 501(h) defines clear standards by which 501(c)(3) organizations can assure that their efforts to influence public policy will not violate this limitation.

³³ IRS FY 1995 Data Book, Table 25. Available through http://www.irs.gov/tax_stats/soi/ex_iad.html as 95CR25EO.EXE (10/17/99).

³⁴ See table 2 for sources.

comparable groupings. Table 2 shows the distribution of organizations for which this information is available.

Overall, the public policy differences between state and federal tax exemptions are often striking. Notably, there are ten categories in which organizations can qualify for federal exemption that are not distinctively recognized in the Washington tax-exemption statutes at all. Even where roughly comparable categories exist, there are some significant differences between the distributions of federal and state tax-exempt organizations. There are far more churches that have filed for State property-tax exemptions than report to the IRS (more than 13 times as many).³⁵ There are far fewer philanthropic organizations with state tax exemptions than federal 501(c)(3) status – the state number is less than 1% of the federal.

Detailed financial and other information about some individual nonprofit organizations, derived from their annual Form 990 filings, is now available on compact disks from the National Center for Charitable Statistics.³⁶ A table presenting assets, expenses, revenues and public support for the 5,045 organizations that filed such reports for years around 1997 is included in table 4 in the appendix to this report. Table 5, also in the appendix, presents similar information based on the registration materials filed by 3,774 nonprofit organizations engaged in fundraising from the general public in Washington State.³⁷ In these tables, the organizations are classified by NTEE code and grouped into the same ZIP-code regions used in table 1. The appendix documents the variations that exist in the services offered in different parts of Washington, the financial scale of nonprofits in differing programs, and their distribution across the State.

Examining table 2 reminds us once again of the range of missions and goals adopted by nonprofit organizations. It is worth underscoring, too, that these exhibits reflect only a portion of the nonprofits in Washington – those that are recognized as tax exempt by the IRS or qualify for and receive property tax exemption. More than 30,000 other nonprofit organizations exist in the communities of Washington State. In spite of the welcome increase in detailed information available about many nonprofit organizations, it is still not possible to obtain any statistical summary about these other organizations' goals and purposes.

³⁵ As noted, churches *per se* are not required to apply to the IRS for recognition as tax-exempt organizations and they usually do not file annual information returns (Form 990).

³⁶ Similar information for many filing organizations can be accessed online through the website known as <http://www.guidestar.org> and maintained by Philanthropic Research, Inc.

³⁷ This registration is required by 19.09 RCW. The registration form permits listing one, two, or three NTEE codes as a summary description of program activities (and many organizations in fact list none). As a result the figures in table 5 present profiles of services offered in each of the ZIP-code regions, not a census of organizations classified by program service. In contrast, IRS Form 990 – the source of the figures in table 4 – requires each filing organization to choose a single NTEE code.

Table 2.
Federally recognized tax-exempt organizations by NTEE code and nonprofit organizations exempt from property taxes by code section. Washington. 1998.

Form 990 Filers by NTEE classification		Tally 1998 Filers	State Categories (with RCW section and year enacted)	Exempt from Property Tax 1998
A	Arts, culture, humanities	362	Libraries (84.36.040 1854)	15
			Radio/TV (84.36.047 1977)	1
			Art & history museums (84.36.060 1915)	166
			Performing arts (84.36.060 1981)	73
B	Educational institutions	602	Colleges (84.36.050 1925)	27
			Schools (84.36.050 1925)	485
			Student loans (84.36.030(6) 1987)	2
C	Environmental quality, protection	139	Open space & parkland (84.36.260 1967)	110
D	Animal related	51		
E	Health, general	95	Nursing homes (84.36.040 1891)	52
			Hospitals (84.36.040 1886)	79
			Blood banks (84.36.035 1971)	3
F	Mental health, crisis intervention	66		
G	Disease, disorders, medical disciplines	24	Dialysis (84.36.040 1987)	12
			Cancer treatment clinics (84.36.046 1997)	1
H	Medical research	15	Medical research (84.36.045 1975)	8
I	Crime, legal related	38		
J	Employment, job related	31	Sheltered workshops (84.36.350 1970)	64
K	Food, agriculture, nutrition	18		
L	Housing, shelter	76	Aging (84.36.041 1989)	146
			Shelters (84.36.043 1983)	221
			Orphanages (84.36.040 1891)	4
M	Public safety, disaster relief	28		
N	Recreation, sports, leisure, athletics	162		
O	Youth development	106	Youth organizations (84.36.030(3) 1933)	199
			Daycare (84.36.040 1973)	198
			Red Cross (84.36.030(5) 1945)	27
P	Human services - multipurpose	316	Nonsectarian charitable (84.36.030(1) 1915)	710
Q	International, foreign affairs	35		
R	Civil rights, social action, advocacy	24		
S	Community improvement	97	Public assembly (84.36.037 1981)	233
			Fairs (84.36.480 1975)	10
T	Philanthropy, grantmaking	318	Merchandise sales (84.36.030(1) 1971)	10
			Combined appeals (84.36.550 1993)	n/a
U	Science and technology research	14		
V	Social science research	4		
W	Public, social benefit	18		
X	Religion related, spiritual development	361	Churches (84.36.020 1854)	4578
			Administration (84.36.032 1975)	42
			Camps (84.36.030(2) 1971)	147
Y	Mutual benefit	5	Water co-ops (84.36.250 1965)	232
Z	Unknown/unclassified	354		
		No data		1686
TOTAL		5045	TOTAL	7855

Source: The Evergreen State Society. Data from National Center for Charitable Statistics, Form 990s filed by Washington tax-exempt entities circa 1998 (special tabulation); Washington State Department of Revenue, *Tax Exemptions 1998*, pages 10-25.

8 1999 Compared with 1994

Between 1994 and 1999, the number of registered nonprofit corporations in Washington grew by 7,842 – almost a quarter of the 1994 total. The number of nonprofit employers recognized by Employment Security grew by 36% while total payroll grew by 35%.³⁸

On every measure, there has been rapid growth in the size of Washington's nonprofit sector during the decade of the 1990s. Table 3 contrasts the statistics on registered nonprofit corporations and reporting nonprofit employers available in 1994 with those for 1999.

The rates of growth in the numbers of nonprofits varied significantly across the State. The City of Tacoma and its immediate surroundings saw the sharpest increase: 144% on a base of 2,519 organizations for a 1999 total of 6,153 organizations. The northeast portion of the State saw the second highest growth rate: 38% on a base of 814 organizations for a 1999 total of 1,126. The third fastest growth was recorded in Clark County, where there were 2,192 nonprofit corporations on file in May of 1999, up from 1,643 in 1994.

Interestingly, the City of Seattle itself experienced only a slight increase in the number of registered nonprofit corporations: from 6,457 in 1994 to 6,763 in 1999 (a 4.7% increase). Thurston County, home of the State's capital Olympia, and the city of Spokane also saw growth rates well below the State's overall performance: 3.3% and 4.4% respectively.

In the same period, the Department of Revenue granted exemption from property taxes to at least 808 new nonprofit organizations. The number of nonprofits in Washington that were exempt from state and local property taxes increased to 7,806, an 11.5% increase from the 1993 total 6,998. The number of churches increased by only 27, though.³⁹ There was therefore a significantly higher rate of increase – 34% – in the number of tax exemptions granted to other sorts of organizations. The combined impact of all exemptions from state and local taxes amounted to about \$354 million per year in 1998, up from \$280 million (or by more than 26%) since 1994. The proportion of all forms of reduction in state and local revenue though fell from 2% in the earlier year to 1.7% in 1998.

The number of federally recognized public charities in the State has grown by nearly 25%, from 13,002 in 1993 to 16,286 in 1998. The number of these that filed Form 990s in 1998 was 5,045, up from 3,364 for an increase of 65%. The assets reported by filing public charities grew in the same interval by \$5.0 billion, more than 45% of the earlier total of \$11.2 billion. Donations and grants to these organizations increased in the same interval by 48%, from \$1.6 to \$2.4 billion.⁴⁰

³⁸ See table 3 for sources.

³⁹ No information is available on the number of parcels removed from tax-exempt status. The difference between the 1993 and 1998 totals shows only net, not total, changes.

⁴⁰ National Center for Charitable Statistics, State Database Project. CD-ROM listing of Form 990 filings by recognized public charities with addresses in Washington State dated 1993 and 1998.

Table 3. Changes in registered nonprofit corporations, nonprofit employers and wages. Washington, 1994 to 1998, by ZIP-Code region.

ZIP-code Region	Registered with the Secretary of State			Employers Reporting to Employment Security (Nonprofit Reporting Units)				
	Nonprofit Corporations (5/1/99)	Nonprofit Corporations (5/1/94)	Change 1994 to 1999	Total NP Units (1998)	Total NP Units (1993)	Change 1993 to 1998	Total Wages (1998)	Total Wages (1993)
980xx King County (not Seattle)	6,392	4,773	33.9%	388	256	51.6%	\$397,293,660	\$245,688,610
981xx Seattle and Bainbridge Is.	6,763	6,457	4.7%	939	755	24.4%	\$2,397,652,342	\$1,733,294,107
982xx NW portion of state	4,462	3,796	17.5%	385	261	47.5%	\$300,279,053	\$210,976,917
983xx Olympic Peninsula, Pierce Co.	3,283	2,776	18.3%	231	133	73.7%	\$221,034,592	\$140,404,174
984xx Tacoma & environs	6,153	2,519	144.3%	233	163	42.9%	\$484,500,574	\$371,756,534
985xx Thurston Co.	2,663	2,578	3.3%	194	134	44.8%	\$214,346,597	\$179,390,560
986xx SW portion of state	2,192	1,643	33.4%	199	134	48.5%	\$227,213,606	\$138,788,062
988xx North Central portion of state	1,172	1,174	-0.2%	124	86	44.2%	\$63,166,423	\$42,033,178
989xx South Central portion of state	1,154	1,229	-6.1%	145	123	17.9%	\$257,379,000	\$167,483,507
990xx Spokane vicinity (not city)	432	392	10.2%	26	10	160.0%	\$8,339,467	\$2,421,849
991xx North East portion of state	1,126	814	38.3%	51	38	34.2%	\$24,611,888	\$18,414,719
992xx Spokane (city)	1,507	1,443	4.4%	243	203	19.7%	\$606,873,970	\$461,638,040
993xx South East portion of state	1,249	1,214	2.9%	153	110	39.1%	\$178,950,940	\$112,811,372
994xx South East corner of state	10	80	-87.5%	6	6	0.0%	\$7,342,393	\$5,358,375
Out of state or unknown	1,119	947	18.2%	23	37	-37.8%	\$3,478,670	\$121,672,712
Total	39,677	31,835	24.6%	3,340	2,449	36.4%	\$5,392,463,175	\$3,952,132,716

Source: The Evergreen State Society using data provided by the Corporations Division, Office of the Secretary of State, and LMEA, Department of Employment Security, State of Washington.

9 Taxes on Nonprofit Organizations in Washington

In general, nonprofit organizations in Washington State must pay the same taxes, at the same rates, as any other sort of organization. As the Washington State Supreme Court said in its 1972 decision in *Budget Rent-A-Car, Inc., v. Department of Revenue*, “Taxation is the rule and exemption is the exception. Anyone claiming a benefit or deduction from a taxable category has the burden of showing that he qualifies for it.”⁴¹

This approach to taxes differs from the practices in many other states and is often a surprise for people who have worked or volunteered for nonprofit organization elsewhere. Nevertheless, some important exceptions for non-profits do exist in Washington.

Washington State taxes that concern many nonprofits fall into four broad categories:

- Gross receipts (“Business and Occupation” or B&O) taxes collected by the State and independently by many cities.
- Sales taxes collected by the State on its own behalf and on the behalf of cities and transit districts.
- Use taxes collected by the State when sales taxes have not, for some reason, been paid.
- Real and personal property taxes on land, buildings and equipment.

The taxes in each category have their own quirks of application and administration. This chapter can present only the broad outlines of the tax environment within which Washington nonprofits operate.

9.1 B&O Taxes

Many nonprofits receive important income from retail sales. Museums and other institutions have gift shops; schools, churches and advocacy organizations sell books and other educational materials. Theaters sell tickets and refreshments. In Washington State, a tax is due on the gross receipts from such retailing activities (in addition to the sales tax which must usually be collected from the buyer at the time of sale) and, at a different rate, on gross receipts from most other forms of business activity, including many of the things nonprofits do – running workshops, conducting research, organizing tours – for which fees are charged. Some across-the-board reductions in these taxes benefit nonprofits, of course. Organizations whose total receipts are less than threshold amounts may not incur any tax liability at all – these thresholds are different for state taxes and those collected by some Washington cities. The Small Business Tax Credit reduces the amount of taxes due the State for organizations with taxable gross receipts less than \$28,000.

⁴¹ Much of the content of this chapter is derived from outlines and presentations created by Mark Hugh, CPA, of Clark Nuber P.S. in Bellevue. He has generously given permission for this use of his materials. It goes without saying that the interpretations and presentation here are my own adaptation of his work and any errors, omissions or confusions are solely my responsibility. –PB

Approximately 35 Washington cities also impose B&O taxes. In a general way, these city taxes parallel the State's standards and procedures, but there are many important differences. There are fewer exemptions and deductions from city B&O taxes and in some key areas the definitions of taxable activities are importantly different. One example of an important difference is the City of Seattle assessing B&O tax on retailing activities and parking fees collected by artistic and cultural organizations, forms of revenue that are not taxable at the state level for organizations of this sort.

Exemptions from B&O taxes: The American Red Cross, artistic and cultural organizations, sheltered workshops, bone, blood and tissue banks, and adult family homes are exempt from B&O taxes on most or all revenues. Income is not taxable when it is received by health and social welfare organizations under government contracts that support a list of specific direct services to designated members of the public.⁴² Revenue from trade shows and seminars that are not open to the general public and are sponsored by nonprofit trade or professional organizations as well as tuition paid to education institutions are not taxable. Endowment income, initiation fees, dues, gifts, donations and grants are also not taxable, though there are many detailed rules about these forms of revenue designed to distinguish between business income and the sorts of payments that can legitimately be viewed as "public support" for the recipients' work. Further, revenue received from fundraising activities is not taxable when certain conditions are met; sales from a regular place of business, such as a gift shop or thrift store, though, are not included within the scope of this last exemption. If conditions set by the Department of Revenue can be met, "pass through" money received by one organization acting solely as an agent for another will not be considered taxable revenue for the fiscal agent. The ultimate recipient is, of course, responsible for any taxes due on this revenue just as it would be without the presence of the intermediary organization.

The subject of dues deserves a little more discussion. In order to qualify for an exemption from B&O tax, dues cannot entitle members to significant goods or services. For examples, dues paid in order to use facilities such as sports clubs or other dues graduated based upon receiving goods or services are not exempt from B&O taxes. Some membership benefits are allowed without causing dues to become taxable, though, such as reduced price or free admission to museums, distribution of a newsletter, routine lobbying activities on behalf of members, and hosting of meetings or seminars open to the membership.

9.2 Sales Taxes

When nonprofits buy things for their own use – whether general office supplies or specialized materials needed in a particular line of work – they usually pay Washington's sales tax. Similarly, when they themselves sell items, they are usually required to collect the sales tax and forward it to the State when due. Nonprofits in general are subject to the rule that whenever an object of tangible personal property or certain services are sold to the ultimate consumer in Washington State, sales tax is due from the buyer and must be collected by the seller. There are some general exemptions that apply with equal force to

⁴² The list of services is detailed and inclusive; in other words, the exemption does not extend to similar but not listed services. There are other restrictions as well. Significantly, contracts for listed services with *non-governmental* funders do generate taxable income. Further, the board of a qualifying health or social welfare organization must include at least eight individuals none of whom is a paid employee of the organization itself.

nonprofits. Sale of food for off-site consumption in grocery stores, for example, is not subject to sales tax, but restaurant checks are. If a seller is not required to collect the sales tax, the buyer may still be obligated to pay a use tax (see below) on the purchase price of items or certain services acquired in this way.

Exemptions from sales taxes: Sales to the American Red Cross are always tax-exempt. When artistic and cultural organizations purchase objects for their collections or for presentations and performances, no sales tax is due (and the seller is not required to collect the tax from the buyer). Nonprofit youth organizations do not have to collect sales tax from purchasers of amusement, recreation and physical fitness services. Recognizing the importance of auctions and other sorts of sales during special events by organizations that do not usually collect sales taxes (and thus find it difficult to set up the special accounting procedures necessary to do so) the legislature has exempted sales during fund-raising activities and allows such activities to take place without collecting sales tax from the buyers.

9.3 Use Taxes

As a result, though, the buyers may be subject to use tax. And nonprofits may incur use tax liabilities when they purchase items out of state. This further tax liability comes about because the law requires that whenever an item on which sales tax would normally be due is acquired for use in Washington without paying the tax, a use tax calculated at the same rate as the sales tax is due. After audits by the Department of Revenue, organizations often must pay use tax on magazine subscriptions and other items they have received from out-of-state vendors who did not collect Washington taxes.

Exemptions from use taxes: If no sales tax would have been due on the item when purchased in Washington, for example under any of the circumstances listed earlier in the discussion of exemptions from sales taxes, then no use tax is due. In addition, no use tax is due from either the donor or the recipient when goods are donated for use by nonprofit charitable organizations (generally, those exempt from federal corporate income taxes under section 501(c)(3)).

9.4 Property Taxes

Many nonprofits own substantial real estate. Hospitals, colleges and universities, and churches are visible features of cities and towns throughout Washington. In general, land, buildings, and equipment used by businesses and other organizations, is taxed by the State of Washington, cities, and many other sorts of taxing districts. The rules governing rate setting, assessment, and collection of property taxes vary considerably and are complicated, as most citizens know from their own experience. For many nonprofits, the law provides a standard that the property must be “exclusively used” in the exempt purpose. Therefore, in some cases when nonprofit organizations lease out a portion of their premises for a purpose that does not qualify for property-tax exemption, that portion of the premises is taxable; the taxes are calculated in terms of the relative use made of the facilities by exempt and non-exempt activities.

Exemptions from property taxes: Several types of nonprofit organizations are exempt from property taxes on real estate used exclusively for their program purposes; see table 2 for a list. In addition to the exemptions based on the character of the organization and in spite of the “exclusive use” standard, though,

fund-raising activities lasting less than five days and returning 51% or more of all profits to the nonprofit do not compromise tax-exemption from property taxes. Rental arrangements in which eligible nonprofits recover costs for the use of part of their facilities by another exempt organization that would also qualify for a property tax exemption do not lead to tax liabilities. The restriction that the property must be used *exclusively* for exempt purposes applies, though, in most circumstances. Nonprofits often choose to forego revenue opportunities such as shared use with a for-profit enterprise because of the property tax liabilities that would result.

10 Recent Changes in Tax Laws

In the past five years, Washington's tax laws and regulations about nonprofits have changed significantly. These changes have removed difficult points of contention between the Department of Revenue and nonprofit organizations, reduced the amounts paid in taxes by nonprofits, and streamlined management of some nonprofit activities. The effect of these changes has been included without special notice in discussion in chapter 9 of Washington's principal taxes. Background on recent developments helps explain further how Washington's tax laws affect nonprofit organizations.

B&O taxes on 'grants': Until 1995, the Department of Revenue held the position that payments made to organizations under agreements that required a specific activity or performance in return were taxable contract revenue, not tax-exempt gifts. The department often concluded that foundation grants to nonprofit organizations fit within this definition and assessed B&O tax on this important source of nonprofit revenue. The idea of specific performance was interpreted to include the *purpose* of grants, even when the granting agency did not benefit directly from the activities being supported, and to the delivery of any sort of a report, even a simple enumeration of the activities that had been made possible by the donor's financial support. Foundations, of course, expect to be able to restrict the uses that will be made of the funds they grant and to be given financial and substantive reports based on project activities. There was clearly a need to resolve the conflict between the two views.

After several discussions facilitated by Secretary of State Ralph Munro and involving representatives of the Pacific NW Grantmakers Forum and other interested groups, the Department of Revenue issued Excise Tax Advisory 572.04.169. This advisory clarified the circumstances under which grants could be classified as a gifts or donations and hence deducted from the recipients' total revenue. When the recipient is a nonprofit organization and the donor receives no significant goods, services or benefits from activities that fulfill charitable purposes parallel to the provisions of federal tax-code section 501(c)(3), then the donor may restrict the uses of the funds and insist on reports on activities and progress without creating a tax liability for the recipient. Further, such grants may be acknowledged in the usual ways – in programs, announcements and other materials – without compromising their tax-exempt status. In 1996 the Court of Appeals examined related issues and concluded that a grant would only qualify as tax-exempt when the donor had a "gratuitous intent."⁴³ Much of the difficulty of resolving this issue arose because of the federal government's practice of

⁴³ Analytical Methods v. Department of Revenue, 84 W. App. 236, 928 P.2d 1123 [1996].

using the term ‘grant’ to describe monetary support given to for-profit firms that do research and development. The revenue ruling makes clear that ‘grants’ of this sort generate taxable revenue for recipients in Washington State.

Exemption from use taxes for donated goods: Until 1995, the logic of the use tax – that it applied to any items put into use on which no sales tax had been paid – meant disconcertingly that nonprofits often faced substantial tax assessments as a result of receiving gifts such as computer systems, vehicles or office furnishings. This might happen, for example, if a dealer or manufacturer made the donation from inventory. In 1995, the Legislature eliminated this issue for the donee, but donors continued to be subject to the use tax on the donation if sales tax had not been paid on the original acquisition of the item later donated. In 1998 the legislature expanded the exemption to make clear that neither donor nor recipient incurred an obligation in the case of a gift of this sort.

Fundraising activities exempted from tax liability: Also in 1998, the legislature instituted a comprehensive exemption for fundraising activities of certain nonprofit organizations. Eligibility was restricted to nonprofits that have been recognized by the Internal Revenue Service as exempt from federal taxes under sections 501(c)(3), (4) or (10) of the Internal Revenue Code and organizations that would qualify for such recognition if they were organized as nonprofit corporations.⁴⁴ The State tax law adds that this fundraising exemption is available only to organizations that do not allow officers or other leaders to share in their net revenues, pay only reasonable compensation to their employees and contractors, and do not engage in substantial political activities. Charity balls, fun runs and other forms of special events fall within the definition of exempt fund-raising activities. Charity auctions are also exempt; in fact, no sales tax need be paid on items purchased by nonprofits for sale at charity auctions, and no sales taxes need be collected from purchasers at the time of sale.⁴⁵ Importantly, a qualifying organization which hosts its own fundraising activities in property-tax-exempt premises does not threaten that tax-exemption if the activity lasts no more than five days or less more than half of the profits of the event go to the host organization itself. This new exemption could still cause unanticipated tax liabilities, though, since the State exemptions do not extend to local B&O tax provisions, which may still apply to fundraising activities under local codes. And lastly, the definition of a fund-raising activity does not extend to the operation of a regular place of business such as a snack bar or bookstore. Transactions in such facilities remain taxable, unless, of course, they are under the control of an organization that enjoys a blanket exemption from B&O taxes, such as an art museum or youth recreation group.

Simplification of Charitable Solicitations Reporting: Although it is not strictly speaking a change in tax laws, it is worth noting here that the Charities Division of the Office of the Secretary of State has revised the process by which registered fund-raising charities report financial information. Under the new procedure, nonprofits that file IRS Form 990 are not required to provide any separate financial information with their annual fundraising report. The Charities Division extracts the necessary financial summary directly from the 990 itself. Changing the procedure in this way eliminated any ambiguity there may have been about the accounting procedures underlying the State report and adopted the national standards contained in the instructions for completing Form 990.

⁴⁴ See chapter 6 for an explanation of these sections.

⁴⁵ The purchasers nonetheless must pay use tax, however, since they have acquired an item for consumption on which no sales tax has been paid.

11 Epilogue—Social Capital and the Many Roles of NPOs

In January 1995, the *Journal of Democracy* published “Bowling Alone” by Harvard University Professor of Government Robert Putnam, in which Putnam connected the decline of social organizations, such as bowling leagues, to a broader decline in the concern of Americans for each other and their locations; a decline in social capital he declared.⁴⁶ The observation underlying the title of Putnam’s 1995 essay is that the number of people bowling in the United States increased steadily over a period of years during which the membership in bowling leagues had strikingly declined. This essay was quoted in the rapidly growing body of recent studies, monographs, commission reports, and journalism exploring the interrelated ideas of civil society, civic engagement, and social capital. The core of the social capital concept is found in the idea that some societies are characterized by forms of social organization that encourage or support cooperation and collaboration for mutual and community benefit. Nonprofit organizations represent a key venue for working in this way, and hence a common thread in these discussions has been attention to the condition of nonprofit organizations and their less formal cousins such as associations and social movements.

Putnam himself along with many other researchers and commentators emphasize that it is a mistake to identify growth in the number of nonprofit organizations per se – such as the figures reported above in chapter 8 – with significant changes in social capital. They argue that many nonprofits are formed to take advantage of incentives offered by governments or other supportive institutions without much regard for communities’ stocks of social capital. That observation is no doubt correct.

On the other hand, the laws, regulations and customs which people observe when they form nonprofits provide a valuable framework within which certain kinds of cooperation can take place and represent an element of social capital in and of themselves. It is a good investment, therefore, to attend to the ways state laws and the federal tax code provide guidance to the civic minded. Careful and continuous attention should be given to the effectiveness, clarity and administration of those laws to assure that they do as much as possible to strengthen, and as little to impair, the human and financial resources available to address community problems, to discuss public issues, and to cooperate in ways that extend people’s abilities and security.

That thought can be added then to the other motives found in these pages for giving attention to the nonprofits of Washington: the sheer size of the nonprofit sector, however measured; the presence of nonprofits serving community needs of every type in every region of the State; the benefits to participants, supporters, and neighbors that accrue from the many forms of human service and community activity that are the hallmarks of nonprofits’ work.

⁴⁶ The text is available online at http://muse.jhu.edu/demo/journal_of_democracy/v006/putnam.html.

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Appendix: Geographic Distribution, Purpose Codes, and Summary Financial Data

	Number of Organizations	Number Reporting Financial Data	Public Support	Total Revenue	Total Expenses	Total Assets
Washington state	16,662	5,045	2,387,977,501	12,237,556,551	11,354,235,785	16,226,099,852
980xx King County (not Seattle)	2,702	722	421,977,503	1,309,026,826	1,222,619,231	1,228,705,548
Not assigned	1,669	282	337,069,876	406,901,227	383,176,707	223,730,862
A -- Arts, culture, humanities	109	42	3,851,096	10,355,951	8,782,172	17,868,948
B -- Educational institutions	170	80	10,462,237	78,597,762	74,740,369	71,210,365
C -- Environmental quality, protection	23	8	587,422	1,445,246	3,284,976	9,365,943
D -- Animal related	17	5	3,241,139	4,202,039	3,430,469	4,857,775
E -- Health - general, rehabilitative	42	28	8,591,342	664,610,802	624,670,430	745,895,940
F -- Mental health, crisis intervention	25	15	6,583,028	24,531,284	23,364,989	17,370,255
G -- Disease, disorders, medical disciplines	10	6	355,797	1,022,126	920,380	1,855,805
H -- Medical research	7	4	207,857	266,684	298,652	6,465,410
I -- Crime, legal related	14	5	1,153,564	1,301,686	1,286,780	593,302
J -- Employment, job related	17	11	2,862,475	8,917,466	7,359,823	10,099,509
K -- Food, agriculture, nutrition	5	3	791,685	1,049,926	1,034,472	215,372
L -- Housing, shelter	22	9	539,915	933,082	1,059,140	5,581,866
M -- Public safety, disaster relief	7	1	51	147,345	132,148	200,985
N -- Recreation, sports, leisure, athletics	90	39	791,890	7,337,021	6,976,844	8,530,071
O -- Youth development	28	11	178,768	1,119,760	1,084,615	286,094
P -- Human services - multipurpose	125	68	26,894,752	48,528,387	44,612,081	36,160,593
Q -- International, foreign affairs	18	10	1,283,429	2,122,839	2,139,741	2,181,538
R -- Civil rights, social action, advocacy	6	2	373,792	579,768	539,713	437,814
S -- Community improvement	27	12	569,775	2,422,963	1,943,384	5,095,533
T -- Philanthropy, grantmaking	65	19	2,288,311	2,970,724	2,963,097	2,557,371
U -- Science and technology research	5	1	1,234	35,159	35,409	100,294

V -- Social science research	2	1	2,867,534	3,549,790	3,267,364	1,704,887
W -- Public, social benefit	4	2	35,753	4,146,366	3,571,106	21,532,719
X -- Religion related, spiritual development	105	23	2,077,907	3,774,127	2,877,820	4,099,550
Y -- Mutual, membership benefit organizations	2	2	951,037	1,286,257	158,421	3,657,738
Z -- Unknown/unclassified	88	33	7,365,837	26,871,039	18,908,129	27,049,009
981xx Seattle and Bainbridge Island	4,208	1,519	1,064,141,662	6,118,385,062	5,695,232,474	7,822,450,989
Not assigned	2,453	582	351,834,749	2,901,753,565	2,693,077,147	3,832,149,198
A -- Arts, culture, humanities	221	114	62,547,980	126,642,004	106,180,996	203,381,237
B -- Educational institutions	257	143	35,809,507	118,863,651	105,229,114	228,912,714
C -- Environmental quality, protection	68	26	5,919,196	8,072,442	7,026,697	12,695,053
D -- Animal related	16	7	2,602,638	5,413,541	4,215,727	3,623,447
E -- Health - general, rehabilitative	83	62	112,185,526	2,096,840,772	1,995,695,974	2,363,063,495
F -- Mental health, crisis intervention	48	38	32,892,650	90,355,745	86,588,521	77,512,096
G -- Disease, disorders, medical disciplines	35	29	29,046,691	89,571,864	87,153,296	68,748,419
H -- Medical research	24	18	158,644,207	222,072,825	214,622,249	425,036,200
I -- Crime, legal related	36	28	25,832,902	53,388,311	50,541,409	30,585,463
J -- Employment, job related	20	10	694,242	4,728,542	3,945,535	6,953,924
K -- Food, agriculture, nutrition	11	7	16,738,697	17,571,932	17,689,794	4,389,656
L -- Housing, shelter	61	36	14,069,794	30,481,945	27,565,306	76,700,681
M -- Public safety, disaster relief	2	1	21,266	983,249	939,350	228,583
N -- Recreation, sports, leisure, athletics	65	32	1,602,026	13,874,279	12,173,325	12,927,786
O -- Youth development	51	19	4,075,430	12,901,525	12,180,313	12,593,236
P -- Human services - multipurpose	182	116	88,292,792	129,583,459	125,540,215	98,071,164
Q -- International, foreign affairs	29	14	4,469,659	5,810,133	5,677,915	1,648,393
R -- Civil rights, social action, advocacy	19	10	3,299,241	3,609,937	2,911,528	4,843,433
S -- Community improvement	54	34	48,168,480	52,473,046	24,763,146	107,408,749
T -- Philanthropy, grantmaking	176	49	20,172,878	23,037,310	13,067,593	49,518,072
U -- Science and technology research	11	5	392,813	1,406,158	1,262,713	1,238,170
V -- Social science research	6	4	32,352	175,007	191,361	150,285
W -- Public, social benefit	16	9	4,043,011	5,094,105	3,901,386	6,580,112
X -- Religion related, spiritual development	96	34	23,126,572	63,348,061	57,110,042	84,476,759
Y -- Mutual, membership benefit organizations	1	1	0	126,469	34,499	1,800,498
Z -- Unknown/unclassified	167	91	17,626,363	40,205,185	35,947,323	107,214,166

982xx NW portion of state	1,844	520	133,872,700	459,383,446	433,876,062	523,113,533
Not assigned	1,141	214	32,321,078	245,795,853	236,524,474	310,564,388
A -- Arts, culture, humanities	75	32	4,269,695	7,690,991	5,506,053	12,092,182
B -- Educational institutions	108	37	3,977,148	13,605,020	9,572,027	25,866,067
C -- Environmental quality, protection	33	5	501,050	1,080,942	830,378	598,264
D -- Animal related	8	5	303,568	1,263,596	1,155,804	1,399,451
E -- Health - general, rehabilitative	27	16	2,260,303	14,126,572	13,038,785	11,721,096
F -- Mental health, crisis intervention	26	17	14,115,724	23,470,251	21,722,913	20,689,758
G -- Disease, disorders, medical disciplines	6	3	56,825	94,198	103,111	203,318
H -- Medical research	2	0				
I -- Crime, legal related	5	4	306,239	3,058,699	3,122,343	614,591
J -- Employment, job related	10	9	9,575,350	16,027,361	15,403,347	8,196,883
K -- Food, agriculture, nutrition	8	4	2,199,811	2,569,268	2,682,351	1,190,562
L -- Housing, shelter	17	6	2,090,191	3,810,746	3,728,387	9,146,854
M -- Public safety, disaster relief	6	2	144,671	225,073	166,423	565,692
N -- Recreation, sports, leisure, athletics	46	26	1,177,788	9,108,246	8,042,753	8,339,229
O -- Youth development	20	11	2,484,717	4,379,609	2,449,415	8,138,197
P -- Human services - multipurpose	82	52	31,697,419	70,874,020	71,212,171	41,708,385
Q -- International, foreign affairs	8	5	1,347,251	2,585,688	2,283,511	1,591,962
R -- Civil rights, social action, advocacy	5	2	440,360	506,571	497,598	228,914
S -- Community improvement	19	9	878,634	5,462,457	4,964,745	5,852,984
T -- Philanthropy, grantmaking	47	15	15,929,923	16,610,136	14,746,797	17,509,529
U -- Science and technology research	4	2	61,264	541,148	516,243	94,503
V -- Social science research	1	1	54,150	54,562	52,675	10,396
W -- Public, social benefit	4	2	41,522	87,324	94,131	164,365
X -- Religion related, spiritual development	60	15	1,383,014	6,342,875	5,987,092	15,323,952
Y -- Mutual, membership benefit organizations	1	1	0	63,491	67,950	318,699
Z -- Unknown/unclassified	75	25	6,255,005	9,948,749	9,404,585	20,983,312
983xx Olympic Peninsula, Pierce Co.	1,312	354	80,979,346	399,019,646	369,170,603	531,398,624
Not assigned	834	149	24,949,942	151,190,677	132,926,431	210,812,300
A -- Arts, culture, humanities	53	21	2,721,612	5,334,791	4,399,100	9,723,821
B -- Educational institutions	67	19	16,644,523	22,533,543	25,924,701	43,331,369
C -- Environmental quality, protection	18	7	706,244	752,757	385,974	1,530,661

D -- Animal related	9	6	258,758	452,704	444,130	539,537
E -- Health - general, rehabilitative	15	10	2,158,341	125,323,739	118,125,604	160,426,969
F -- Mental health, crisis intervention	16	11	4,221,986	6,747,815	6,706,540	2,252,253
G -- Disease, disorders, medical disciplines	2	0				
H -- Medical research	1	1	0	43,821	31,859	44,446
I -- Crime, legal related	7	5	1,295,572	1,517,805	1,198,089	583,466
J -- Employment, job related	9	5	1,027,060	7,094,900	6,816,789	4,153,392
K -- Food, agriculture, nutrition	4	3	712,665	722,959	622,179	441,631
L -- Housing, shelter	8	5	623,733	1,788,608	2,169,772	8,859,782
M -- Public safety, disaster relief	2	0				
N -- Recreation, sports, leisure, athletics	30	16	365,992	19,809,941	17,453,797	48,352,897
O -- Youth development	18	11	2,607,844	5,452,338	3,839,559	5,783,095
P -- Human services - multipurpose	59	28	8,877,285	31,464,914	30,717,927	16,980,340
Q -- International, foreign affairs	5	2	555,043	1,141,950	708,423	1,620,769
S -- Community improvement	19	6	5,470,745	6,236,197	6,109,813	2,378,445
T -- Philanthropy, grantmaking	25	4	2,302,648	2,371,149	2,150,082	2,279,502
U -- Science and technology research	3	2	113,334	479,834	488,656	340,229
X -- Religion related, spiritual development	51	21	4,253,693	6,340,993	6,091,102	8,076,402
Z -- Unknown/unclassified	57	22	1,112,326	2,218,211	1,860,076	2,887,318
984xx Tacoma and Environs	1,279	444	168,566,034	1,030,959,378	938,243,931	1,506,076,287
Not assigned	671	153	42,709,020	421,070,429	389,556,179	546,358,325
A -- Arts, culture, humanities	42	19	2,101,680	6,429,492	6,063,521	5,137,960
B -- Educational institutions	245	118	15,784,845	114,543,924	88,623,186	317,216,328
C -- Environmental quality, protection	5	2	141,211	151,572	132,743	87,571
D -- Animal related	3	2	1,215,482	6,262,740	4,816,939	4,878,318
E -- Health - general, rehabilitative	16	11	30,708,279	338,375,894	312,056,007	494,241,406
F -- Mental health, crisis intervention	14	6	23,838,732	25,385,229	24,312,308	18,054,984
G -- Disease, disorders, medical disciplines	7	6	2,367,235	3,468,778	3,463,281	2,605,831
H -- Medical research	1	0				
I -- Crime, legal related	8	6	4,086,338	4,355,411	4,247,616	1,053,916
J -- Employment, job related	10	8	4,817,907	25,423,573	23,104,520	15,900,841
K -- Food, agriculture, nutrition	3	2	4,804,929	5,149,696	5,039,677	2,920,509
L -- Housing, shelter	12	5	711,901	4,124,189	4,059,411	6,856,689

M -- Public safety, disaster relief	4	2	4,883	196,180	200,091	174,837
N -- Recreation, sports, leisure, athletics	18	11	463,312	1,213,690	1,170,257	1,544,150
O -- Youth development	14	3	72,548	179,357	168,247	35,454
P -- Human services - multipurpose	59	40	18,878,548	53,601,837	54,804,440	56,093,798
R -- Civil rights, social action, advocacy	3	1	268,613	281,018	237,245	245,724
S -- Community improvement	12	6	3,689,250	4,371,289	2,503,091	14,942,633
T -- Philanthropy, grantmaking	25	4	5,871,203	5,997,821	5,270,139	10,972,003
V -- Social science research	1	1	0	30,079	33,482	9,981
W -- Public, social benefit	4	1	397,237	2,845,238	2,438,436	1,853,763
X -- Religion related, spiritual development	46	9	791,172	839,741	876,036	925,550
Z -- Unknown/unclassified	56	28	4,841,709	6,662,201	5,067,079	3,965,716
985xx Thurston Co.	1,133	294	64,859,890	169,099,809	161,632,252	228,290,173
Not assigned	764	125	18,601,438	52,851,863	48,667,362	69,259,684
A -- Arts, culture, humanities	42	20	2,225,480	4,147,555	4,257,764	6,861,679
B -- Educational institutions	55	20	1,639,222	8,132,353	8,160,799	7,913,607
C -- Environmental quality, protection	11	3	157,919	176,165	144,292	597,649
D -- Animal related	13	6	1,405,273	1,802,756	1,704,201	1,787,901
E -- Health - general, rehabilitative	14	10	844,836	2,730,157	3,060,945	2,865,983
F -- Mental health, crisis intervention	8	5	4,308,524	4,885,671	4,731,535	2,833,315
G -- Disease, disorders, medical disciplines	2	1	129,988	194,644	189,709	59,130
H -- Medical research	1	0				
I -- Crime, legal related	12	8	1,303,904	2,923,857	2,938,889	1,557,436
J -- Employment, job related	3	3	210,397	4,261,738	4,413,870	2,682,886
K -- Food, agriculture, nutrition	4	3	1,291,937	1,530,335	1,108,302	1,460,710
L -- Housing, shelter	8	6	270,688	2,083,404	2,121,122	13,126,133
M -- Public safety, disaster relief	3	0				
N -- Recreation, sports, leisure, athletics	14	6	136,530	336,356	264,522	800,809
O -- Youth development	13	5	934,364	3,100,662	2,882,355	5,454,543
P -- Human services - multipurpose	58	35	26,006,534	73,104,492	71,251,496	102,338,051
Q -- International, foreign affairs	3	0				
R -- Civil rights, social action, advocacy	5	2	286,530	304,777	299,599	61,045
S -- Community improvement	17	8	256,285	438,270	345,180	1,182,914
T -- Philanthropy, grantmaking	19	7	2,095,544	2,409,208	1,852,320	5,403,544

U -- Science and technology research	2	1	473,545	479,555	426,516	205,723
X -- Religion related, spiritual development	20	2	140,808	140,963	125,625	114,883
Z -- Unknown/unclassified	42	18	2,140,144	3,065,028	2,685,849	1,722,548
986xx SW portion of state	904	251	75,282,965	288,087,513	258,025,452	502,939,041
Not assigned	581	111	10,323,659	25,401,117	22,868,457	38,308,753
A -- Arts, culture, humanities	28	10	407,541	2,680,864	2,049,294	13,483,034
B -- Educational institutions	50	21	7,063,130	15,088,752	10,394,281	49,079,437
C -- Environmental quality, protection	13	3	45,979	126,235	86,215	310,381
D -- Animal related	6	3	88,383	862,381	742,266	1,765,800
E -- Health - general, rehabilitative	15	8	3,672,307	167,841,207	151,723,207	304,590,127
F -- Mental health, crisis intervention	15	6	9,480,049	12,956,927	12,512,729	8,199,867
G -- Disease, disorders, medical disciplines	3	2	639,289	887,404	899,123	698,383
I -- Crime, legal related	6	2	853,423	1,144,016	1,184,432	198,763
J -- Employment, job related	4	4	1,314,635	3,794,379	3,697,229	2,288,632
K -- Food, agriculture, nutrition	1	0				
L -- Housing, shelter	10	7	1,421,087	2,333,288	1,870,041	11,139,364
M -- Public safety, disaster relief	9	2	41,991	67,291	28,375	223,062
N -- Recreation, sports, leisure, athletics	11	2	42,874	77,110	24,776	65,606
O -- Youth development	3	1	0	25,202	26,202	15,564
P -- Human services - multipurpose	47	30	25,539,105	38,202,109	36,722,546	27,147,870
Q -- International, foreign affairs	1	0				
R -- Civil rights, social action, advocacy	1	1	187,985	191,581	188,697	155,097
S -- Community improvement	11	8	4,268,600	4,290,255	1,002,046	17,641,762
T -- Philanthropy, grantmaking	19	3	2,382,553	2,962,990	2,480,200	16,191,208
V -- Social science research	1	0				
W -- Public, social benefit	2	1	2,181	107,527	115,213	222,067
X -- Religion related, spiritual development	38	10	1,181,779	1,641,892	1,021,222	9,237,501
Z -- Unknown/unclassified	29	16	6,326,415	7,404,986	8,388,901	1,976,763
988xx North Central portion of state	509	134	30,506,926	126,755,666	117,944,965	145,044,219
Not assigned	348	62	5,484,015	81,763,001	76,450,930	97,675,951
A -- Arts, culture, humanities	9	5	548,036	853,366	554,567	1,537,445
B -- Educational institutions	21	9	2,662,198	3,727,852	2,704,775	4,762,653
C -- Environmental quality, protection	5	0				

D -- Animal related	4	2	120,312	637,876	598,455	762,787
E -- Health - general, rehabilitative	18	12	3,512,097	13,842,029	12,517,230	11,905,366
F -- Mental health, crisis intervention	3	1	396,625	1,044,776	1,053,390	1,527,466
G -- Disease, disorders, medical disciplines	2	1	537,780	1,303,959	1,317,225	327,939
H -- Medical research	1	0				
I -- Crime, legal related	3	2	50,257	77,745	69,238	28,278
J -- Employment, job related	2	1	3,914,678	4,175,965	4,125,642	939,936
K -- Food, agriculture, nutrition	3	2	13,211	804,615	795,544	15,869
L -- Housing, shelter	5	3	66,718	1,104,509	1,105,213	3,744,716
N -- Recreation, sports, leisure, athletics	5	2	129,568	348,141	347,187	246,978
O -- Youth development	6	2	150,111	362,969	314,842	229,787
P -- Human services - multipurpose	34	19	10,729,761	13,767,630	13,678,525	11,362,940
R -- Civil rights, social action, advocacy	1	0				
S -- Community improvement	4	2	124,801	199,151	197,890	58,292
T -- Philanthropy, grantmaking	5	2	1,032,716	1,461,644	856,200	8,809,762
W -- Public, social benefit	1	0				
X -- Religion related, spiritual development	11	2	57,067	86,537	75,581	247,604
Z -- Unknown/unclassified	18	5	976,975	1,193,901	1,182,531	860,450
989xx South Central portion of state	560	174	102,125,550	316,624,684	286,012,724	372,190,487
Not assigned	365	69	33,358,949	162,962,161	149,033,880	233,350,291
A -- Arts, culture, humanities	16	8	764,003	1,849,308	1,772,044	1,765,283
B -- Educational institutions	27	15	4,918,019	13,796,368	12,092,595	15,111,880
C -- Environmental quality, protection	6	3	179,494	297,907	220,823	1,827,495
D -- Animal related	3	1	21,841	321,504	297,956	383,266
E -- Health - general, rehabilitative	12	8	17,693,222	52,887,141	45,722,775	45,228,549
F -- Mental health, crisis intervention	7	6	10,593,984	24,556,625	21,364,983	23,379,775
G -- Disease, disorders, medical disciplines	1	1	11,091	31,020	38,473	202,576
I -- Crime, legal related	5	2	40,063	151,309	149,363	22,634
J -- Employment, job related	7	5	7,437,704	9,523,410	9,277,564	5,111,608
K -- Food, agriculture, nutrition	2	2	69,382	96,205	92,744	48,327
L -- Housing, shelter	6	4	551,347	874,343	1,081,736	7,206,345
M -- Public safety, disaster relief	2	0				
N -- Recreation, sports, leisure, athletics	10	8	121,649	4,436,391	4,361,854	3,424,227

O -- Youth development	9	5	437,904	658,202	647,593	451,694
P -- Human services - multipurpose	28	17	18,898,758	28,553,150	26,569,586	19,534,005
R -- Civil rights, social action, advocacy	2	2	388,140	401,230	377,247	248,954
S -- Community improvement	7	4	147,215	524,667	342,574	1,539,493
T -- Philanthropy, grantmaking	18	6	614,938	5,050,352	4,302,034	4,258,829
W -- Public, social benefit	2	1	5,150,241	8,558,559	7,572,958	7,889,928
X -- Religion related, spiritual development	10	1	119,572	119,995	115,280	64,628
Z -- Unknown/unclassified	15	6	608,034	974,837	578,662	1,140,700
990xx Spokane vicinity (not city)	191	32	2,422,655	11,475,341	9,482,812	27,365,591
Not assigned	139	14	142,657	869,932	768,678	730,831
A -- Arts, culture, humanities	1	1	53,476	52,405	51,230	1,175
B -- Educational institutions	11	6	1,813,922	5,830,134	3,916,042	20,280,773
C -- Environmental quality, protection	1	1	45,500	45,505	44,830	2,077
D -- Animal related	2	0				
E -- Health - general, rehabilitative	1	1	0	2,958,061	2,864,529	1,973,403
F -- Mental health, crisis intervention	2	1	0	69,990	71,035	30,057
L -- Housing, shelter	1	1	0	152,670	196,374	776,950
M -- Public safety, disaster relief	2	1	21,935	396,170	294,774	718,096
N -- Recreation, sports, leisure, athletics	3	1	134,641	134,641	153,990	4,824
O -- Youth development	1	0				
P -- Human services - multipurpose	5	1	40,532	60,381	63,388	5,144
S -- Community improvement	1	0				
T -- Philanthropy, grantmaking	3	0				
U -- Science and technology research	1	1	9,755	190,518	174,315	399,846
X -- Religion related, spiritual development	7	0				
Z -- Unknown/unclassified	10	3	160,237	714,934	883,627	2,442,415
991xx North East portion of state	367	75	40,287,275	70,474,842	48,308,405	166,296,448
Not assigned	252	33	34,543,758	55,981,618	34,828,803	144,999,680
A -- Arts, culture, humanities	8	1	400	109,456	103,407	239,339
B -- Educational institutions	17	4	150,286	5,844,481	5,426,587	11,720,272
C -- Environmental quality, protection	9	2	132,247	145,075	138,762	82,052
D -- Animal related	3	0				
E -- Health - general, rehabilitative	7	5	51,221	492,807	280,363	1,739,802

F -- Mental health, crisis intervention	3	2	21,774	173,949	169,011	42,980
J -- Employment, job related	1	1	397,769	461,058	458,197	137,435
K -- Food, agriculture, nutrition	3	1	31,141	31,211	31,788	23,208
L -- Housing, shelter	4	1	12,000	157,093	123,968	58,625
N -- Recreation, sports, leisure, athletics	3	0				
O -- Youth development	2	1	68,788	68,788	68,788	1
P -- Human services - multipurpose	20	10	3,384,623	5,039,616	4,884,063	5,294,472
S -- Community improvement	5	3	566,882	780,441	643,073	632,400
T -- Philanthropy, grantmaking	4	2	116,728	150,170	160,196	97,023
X -- Religion related, spiritual development	13	4	679,568	760,620	756,230	849,362
Y -- Mutual, membership benefit organizations	1	1	17,323	29,726	20,356	232,529
Z -- Unknown/unclassified	12	4	112,767	248,733	214,813	147,268
992xx Spokane (city)	916	329	143,639,031	1,466,832,311	1,401,725,619	2,528,510,682
Not assigned	539	112	30,207,437	885,057,782	829,512,399	1,904,521,509
A -- Arts, culture, humanities	38	20	7,751,672	13,156,497	12,336,542	17,558,043
B -- Educational institutions	52	23	20,788,334	119,181,602	105,417,468	244,904,668
C -- Environmental quality, protection	9	4	415,260	561,644	533,777	661,829
D -- Animal related	8	5	670,152	1,812,988	1,733,524	2,049,359
E -- Health - general, rehabilitative	32	21	3,826,914	303,566,448	315,995,627	170,052,634
F -- Mental health, crisis intervention	13	9	23,286,858	29,576,512	28,987,452	13,122,039
G -- Disease, disorders, medical disciplines	8	5	1,613,416	2,240,711	1,856,272	2,103,480
H -- Medical research	2	1	72,918	73,725	226,737	418,603
I -- Crime, legal related	10	8	1,193,678	2,086,725	1,902,390	2,566,678
J -- Employment, job related	12	8	2,917,244	18,882,440	17,951,249	12,231,347
K -- Food, agriculture, nutrition	2	2	12,696,415	13,086,072	13,301,339	5,937,538
L -- Housing, shelter	12	10	1,365,152	4,346,694	4,721,052	27,153,839
N -- Recreation, sports, leisure, athletics	14	8	64,071	1,766,443	1,616,610	963,462
O -- Youth development	7	4	1,013,598	2,466,919	2,156,086	2,143,533
P -- Human services - multipurpose	54	35	21,383,171	43,062,054	39,969,890	90,935,665
Q -- International, foreign affairs	1	0				
R -- Civil rights, social action, advocacy	2	1	198,550	286,062	213,807	155,384
S -- Community improvement	17	11	722,472	2,775,282	2,710,653	5,272,126
T -- Philanthropy, grantmaking	23	12	6,838,808	10,611,469	10,358,446	8,676,985

U -- Science and technology research	1	1	103,220	111,198	73,224	226,048
W -- Public, social benefit	3	2	21,123	475,997	423,057	423,781
X -- Religion related, spiritual development	23	9	937,804	3,498,121	2,967,171	5,917,468
Z -- Unknown/unclassified	34	18	5,550,764	8,148,926	6,760,847	10,514,664
993xx South East portion of state	677	189	58,604,488	451,747,750	393,652,827	625,409,175
Not assigned	439	72	20290929	206562637	194821761	181719727
A -- Arts, culture, humanities	30	17	1465601	2183484	1812479	4465003
B -- Educational institutions	32	15	10791185	81078999	48457170	285375078
C -- Environmental quality, protection	3	1	0	11790014	11678330	3247773
D -- Animal related	3	2	184421	698466	655147	626046
E -- Health - general, rehabilitative	11	6	1816589	103611521	93950510	94928329
F -- Mental health, crisis intervention	6	4	1538004	2945023	2809612	775017
G -- Disease, disorders, medical disciplines	5	3	85329	1291919	1543417	1144173
H -- Medical research	1	1	30134	30670	30035	741
I -- Crime, legal related	3	1	173509	173509	170485	3024
J -- Employment, job related	5	4	610953	5646683	5357625	5674855
K -- Food, agriculture, nutrition	2	1	2279523	2281248	1984442	966633
L -- Housing, shelter	5	2	10125	380771	412572	946893
M -- Public safety, disaster relief	1	1	59542	89310	40632	204309
N -- Recreation, sports, leisure, athletics	5	2	3019	111695	111752	49350
O -- Youth development	10	4	439900	789085	705752	376703
P -- Human services - multipurpose	34	20	12097464	23501831	22244650	25071439
Q -- International, foreign affairs	2	1	0	131664	51938	126394
R -- Civil rights, social action, advocacy	1	0				
S -- Community improvement	11	5	923369	1408089	865792	2044092
T -- Philanthropy, grantmaking	23	11	4299622	5103157	4306000	15640870
U -- Science and technology research	0	0				
V -- Social science research	0	0				
W -- Public, social benefit	1	1	19868	34818	27983	6835
X -- Religion related, spiritual development	13	3	482515	484680	425800	208645
Y -- Mutual, membership benefit organizations	0	0				
Z -- Unknown/unclassified	31	12	1002887	1418477	1188943	1807246
994xx South East corner of state	60	8	711,476	19,684,277	18,308,428	18,309,055

Not assigned	49	49	251,771	17,478,812	16,307,814	15,338,743
E -- Health - general, rehabilitative	2	2	76,615	273,243	122,135	897,916
F -- Mental health, crisis intervention	2	1	223,526	1,690,129	1,633,783	1,450,724
N -- Recreation, sports, leisure, athletics	1	0				
O -- Youth development	1	0				
P -- Human services - multipurpose	1	1	10,040	72,361	70,576	586,416
R -- Civil rights, social action, advocacy	1	1	149,524	169,732	174,120	35,256
S -- Community improvement	1	0				
X -- Religion related, spiritual development	1	0				
Z -- Unknown/unclassified	1	0				

Source:

National Center for Charitable Statistics, Urban Institute. State Database Project. 990 Data for Washington State. CD-ROM, May 30, 1999.

Table 5.
NTEE Codes Reported by Registered Fundraising Organizations, by ZIP-Code Regions.
Washington. 1999.

Percent of Reported NTEE Codes								
3-digit ZIP	Registered Fundraising Organizations	Total Reported NTEE Codes	Arts Culture Humanities (NTEE A)	Educational Institutions (NTEE B)	Enviromental Quality & Protection (NTEE C)	Animal-Related Activities (NTEE D)	Health: General & Rehabilitative (NTEE E)	
Not WA	875	1441	2%	8%	7%	4%	12%	
980	357	625	6%	12%	6%	2%	8%	
981	787	1356	8%	11%	8%	2%	11%	
982	277	458	5%	10%	7%	4%	8%	
983	190	314	4%	12%	7%	2%	10%	
984	519	950	3%	24%	5%	0%	4%	
985	220	347	4%	15%	4%	1%	9%	
986	127	203	6%	12%	3%	0%	10%	
988	62	102	5%	8%	5%	2%	18%	
989	85	146	5%	8%	10%	1%	12%	
990	17	28	7%	14%	4%	7%	0%	
991	36	55	5%	11%	9%	4%	5%	
992	138	222	7%	11%	4%	1%	15%	
993	81	140	1%	15%	2%	1%	9%	
994	1	3	0%	33%	0%	0%	0%	
995	2	3	0%	0%	33%	0%	0%	
Total	3774	6393	5%	13%	6%	2%	10%	

Percent of Reported NTEE Codes

3-digit ZIP	Mental Health & Crisis Intervention (NTEE F)	Disease, Disorder & Medical Disciplines (NTEE G)	Medical Research (NTEE H)	Public Protection; Crime, Courts & Legal Services (NTEE I)	Employment & Jobs (NTEE J)	Food, Nutrition, Agriculture (NTEE K)	Housing & Shelter (NTEE L)
Not WA	3%	2%	5%	5%	1%	2%	2%
980	4%	1%	2%	1%	0%	2%	3%
981	3%	3%	2%	2%	1%	3%	4%
982	3%	2%	1%	1%	2%	3%	3%
983	2%	1%	1%	1%	1%	4%	3%
984	1%	0%	1%	0%	1%	1%	2%
985	6%	2%	0%	2%	2%	3%	3%
986	3%	0%	0%	2%	2%	4%	6%
988	2%	3%	0%	2%	2%	5%	3%
989	5%	0%	0%	1%	3%	4%	5%
990	4%	0%	0%	0%	0%	4%	0%
991	5%	2%	0%	0%	0%	7%	5%
992	4%	2%	1%	2%	3%	2%	5%
993	4%	2%	1%	1%	1%	3%	1%
994	0%	0%	0%	0%	0%	0%	0%
995	0%	0%	0%	0%	0%	0%	0%
Total	3%	2%	2%	2%	1%	2%	3%

Percent of Reported NTEE Codes

3-digit ZIP	Public Safety, Disaster Preparation & Relief (NTEE M)	Recreation, Leisure, Sports & Athletics (NTEE N)	Youth Development (NTEE O)	Human Service (Other & Multi-purpose) (NTEE P)	International (NTEE Q)	Civil Rights & Civil Liberties (NTEE R)	Community Improvement & Development (NTEE S)
Not WA	1%	2%	4%	11%	6%	4%	3%
980	2%	4%	10%	12%	6%	1%	4%
981	2%	1%	6%	10%	5%	2%	3%
982	3%	6%	6%	14%	7%	0%	2%
983	3%	3%	10%	15%	4%	0%	3%
984	1%	1%	13%	23%	2%	0%	3%
985	3%	3%	7%	12%	4%	0%	3%
986	2%	3%	7%	14%	4%	1%	2%
988	2%	1%	8%	7%	6%	0%	4%
989	1%	5%	7%	9%	8%	1%	5%
990	7%	4%	7%	7%	11%	0%	7%
991	2%	2%	9%	5%	4%	0%	5%
992	1%	3%	8%	10%	7%	1%	5%
993	2%	6%	7%	13%	7%	1%	4%
994	0%	0%	0%	0%	33%	33%	0%
995	0%	0%	0%	0%	0%	0%	0%
Total	2%	2%	7%	13%	5%	2%	3%

Percent of Reported NTEE Codes

3-digit ZIP	Philanthropy & Volunteerism (NTEE T)	Science (NTEE U)	Social Sciences (NTEE V)	Public Affairs & Society Benefit (NTEE W)	Religious, Spiritual Development (NTEE X)	Mutual, Membership Benefit (NTEE Y)	Unknown or Unclassifiable (NTEE Z)
Not WA	3%	1%	0%	4%	3%	1%	2%

980	4%	1%	1%	1%	3%	1%	3%
981	3%	1%	0%	2%	2%	1%	3%
982	4%	1%	0%	2%	3%	2%	4%
983	3%	3%	0%	1%	3%	1%	4%
984	7%	1%	0%	1%	3%	1%	5%
985	2%	1%	0%	2%	3%	1%	6%
986	3%	1%	0%	3%	1%	0%	5%
988	2%	7%	0%	3%	1%	1%	5%
989	5%	0%	1%	1%	1%	0%	4%
990	4%	0%	0%	4%	0%	0%	11%
991	4%	2%	0%	0%	5%	2%	5%
992	1%	1%	0%	0%	3%	0%	4%
993	4%	1%	1%	0%	3%	2%	4%
994	0%	0%	0%	0%	0%	0%	0%
995	33%	0%	0%	0%	0%	0%	33%
Total	4%	1%	0%	2%	2%	1%	4%

Source: The Evergreen State Society using data provided by the Corporations Division, Office of the Secretary of State. See footnote 18 for background on interpreting these data.