



United States
General Accounting Office
Washington, D.C. 20548

General Government Division

B-270104

October 10, 1995

The Honorable Ernest Istook
House of Representatives

Dear Mr. Istook:

At your request we have reviewed the methodology that Dr. William Duncan has used to prepare his analysis entitled, Non-Profit Lobbying Statistics. We have previously testified on issues associated with lobbying by tax-exempt organizations before the Subcommittee on National Economic Growth, Natural Resources, and Regulatory Affairs, House Committee on Government Reform and Oversight.¹

In his analysis, Dr. Duncan attempts to quantify the lobbying expenditures made by 501(c)(3) organizations that received government grants in tax year 1992. While we cannot vouch for the statistics he presents, our assessment is that his approach should produce reasonably accurate results if the methodology he described to us was applied to the data he identified. We have not assessed the relevance of Dr. Duncan's analysis to any pending legislation, nor have we taken a position on any proposal related to lobbying by tax exempt organizations.

Dr. Duncan gave us a detailed oral explanation of his methodology, walked us through the general layout of his database, and described the content and source of his raw data. Independent Sector, a major coalition of national charities, had provided him with a publicly available database from IRS.² Given the short timeframe for our review, we did not independently verify that the raw data used were identical to those in the original IRS files. The version of Dr. Duncan's analysis we reviewed is enclosed.

¹TAX-EXEMPT ORGANIZATIONS: Additional Information on Activities and IRS Oversight. GAO/T-GGD-95-198, June 29, 1995.

²Dr. Duncan told us that this database was IRS, Statistics of Income Division's (SOI) sample of 501(c)(3) organizations for tax year 1992. It should be noted that while SOI samples are considered reasonably reliable, they are estimates and subject to sampling error.

There are limitations to the data used by Dr. Duncan, as he acknowledges in his explanatory notes. First, it should be noted that Dr. Duncan's analysis applies to all government grants and grant recipients and is not limited to federal grants. Second, the data do not include all federal grants received by 501(c)(3) organizations. Grants received by short form filers and grants that are of direct benefit to the grantor (as opposed to grants whose primary purpose is to provide a service directly benefitting the public) cannot be identified from the IRS data. For the same reason, Dr. Duncan is not able to identify all 501(c)(3) organizations that receive federal grants. Given the time constraints, it is not possible to quantify the impact of these limitations on his results.

I trust that this information is responsive to your request. If you have any further questions, please call me on (202) 512-9110 or Jim Wozny on (202) 512-9084.

Sincerely yours,



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

Enclosure

(268712)

Representative Ernest Istook NON-PROFIT LOBBYING STATISTICS

501(c)3 Statistics from IRS Weighted Sample of 10891 Organizations, 1992

1.	Total Number of 501(c)3 Organizations¹	
a.	Number of 501(c)3 Long Form 990 Filers	121,602
b.	Total number of 501(c)3s Short Form 990EZ Filers	35,378
c.	Total number of 501(c)3 organizations	156,980
2.	Total Amount of Government Grants to Long Form Filers (LFFs)²	
a.	Total Federal, State & Local Gov't Grants to 501(c)3s	\$ 38,278,703,525
b.	Total Number receiving Government Grants	39,871
c.	Percent of 501(c)3 Long Form Filers who receive grants	32.78%
3.	Lobbying by 501(c)3s³	
a.	Total Amount of Lobbying done by 501(c)3s LFFs	\$ 75,882,827
b.	Total Amount of Lobbying done by 501(c)3 LFFs who are grantees	\$ 43,140,370
c.	Percentage of Lobbying done by LFF Grantees	56.85
d.	Number of LFF Grantees who Lobby	2123
e.	Percentage of LFF Grantees who Lobby	5.32%

THEREFORE 5% OF GRANTEES ARE DOING NEARLY 57% OF ALL LOBBYING DONE

Attached are examples of organizations who receive grants and engage in lobbying.

Source: The Above Information is from Publicly Available 1992 501(c)3 Tax Data extracted by the IRS under their Statistics of Income program, and other public sources.

**STATISTICS OF INCOME METHODOLOGY
ANALYSIS OF ISTOOK-MCINTOSH-EHRLICH AMENDMENT ON CHARITIES
FILING UNDER SECTION 501(C)3 OF THE IRS CODE**

Explanatory Notes

1. Note: The number of 501(c)3 organizations is not precisely known. The IRS Master File shows that the the population breaks down as follows:

a.	Total number of 501(c)3s with income > 1	228,679
b.	Number of 501(c)3 who file "zero" income on returns	355,278
c.	Total number of 501(c)3 organizations	583,957

 - d. Therefore, standard methodology for examining the non-profit sector uses the number of organizations in the most recent tax year (in our case, Tax Year 1992), who filed long Form 990s. A second statistical set exists for Form 990 EZ filers, but it does not break down government grants and is therefore not useful for this analysis.
 - e. As a result, the Statistics of Income (SOI) division of the Internal Revenue Service does creates a statistical sample for the "active" Form 990 Long form filers, and the active Form 990 EZ filers.
 - i. The Long Form sample consists of 10,891 organizations. This is data set is all organizations with a net worth greater than \$10 million in assets, approximately 5,800 organizations, plus a random sample of about 5,000 of all organizations with assets under \$10 million.
 - ii. Weights are assigned by the SOI division. Weights of "1" are assigned for the large organizations and weights greater than "1" are assigned for the smaller organizations, showing that their organizations Form 990 represent the activity of many other organizations of similar size.

2. The Grant data reported on the Long Form is Federal, State, and Local grants. Therefore the grant amount awarded includes all three of these items.
 - a. Our Federal grant dollar capturing provision will show which of these grants are Federal dollars and which are state dollars. In some cases the State, Local, or Tribal government will receive Federal grant money and then distribute that to grantees as though it were their own governments tax dollars. Therefore this grant amount may be overstating the amount of Grants awarded to Long Form filers, but it does not include grants to short form filers, and many of the dollars reported may actually be Federal dollars given to State and Local governments for further redistribution.
 - b. If a grant is a payment for services, it is reported under line 2 of Form 990, as program service revenue, which will understate the amount of government grant dollars being given to an organization.

3 Lobby Information: The lobby information was taken from the SOI dataset. A data set from 501(h) safe harbor electors under the IRS code was available but was considered incomplete because the tax year data was not available for every item and some of the data in the set was from the 1993 tax year instead of the 1992 tax year. Number (4) and (5) below are calculated by matching the elector data base with the SOI data base and extrapolating using the weighted data set.

- a. From 501(h) Dataset was as follows:
 - i. Total Number of 501(c)3s taking an (h) election (IRS Tape) 7,774
 - ii. Total Number of (h) electors who lobby 5,271
 - iii. Percentage of the 501(h) electors who lobby 67.8%
- b. When the 501(h) dataset was cross matched with the SOI dataset, the following resulted:
 - i. Number of matches (exact count that matched SOI & 501(h)) 189
 - ii. Number of 501(h) electors who are grantees (SOI weighted) 501
 - iii. Number of 501(h) elector grantees who lobby (SOI weighted) 106

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