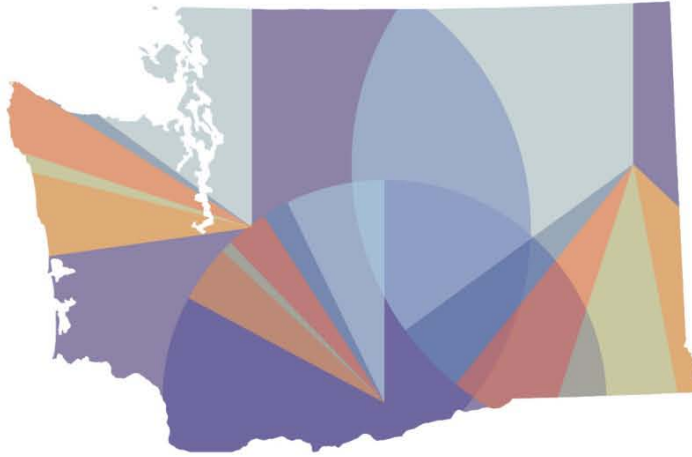




EVANS SCHOOL OF PUBLIC AFFAIRS

UNIVERSITY *of* WASHINGTON

Nancy Bell Evans Center on Nonprofits & Philanthropy



NONPROFITS IN WASHINGTON 2011

RECENT STATISTICS
AND POLICY DEVELOPMENTS



ON THE WEB

Further detail on the topics presented here is available on the related website <http://evans.washington.edu/research/centers/nancy-bell-evans/nonprofit-and-philanthropy-research/nonprofits-in-washington>

Updated several times since the first edition in 1994, "Nonprofits in Washington" uses state and federal administrative statistics to profile nonprofit organizations serving Washington communities. The preparation of the 2011 Update to "Nonprofits in Washington" has been supported by Washington Nonprofits and the Nancy Bell Evans Center on Nonprofits & Philanthropy at the Evans School of Public Affairs, University of Washington. Assistance with the preparation of this report was generously provided by Tom Pollak, Katie Roegner, and Jon Durnford of the National Center for Charitable Statistics; and by Pam Floyd and Rebecca Sherrell of the Corporations Division in the Office of the Washington Secretary of State. Without their help in providing the necessary data and advice on its interpretation, the report would not be possible. Kristina Johnson compiled the data for this publication and the online supplements as well as providing editorial assistance. Putnam Barber prepared the text.

WASHINGTON NONPROFITS

Bringing together nonprofits from throughout the state, Washington Nonprofits facilitates communications and networking, convenes regional and topical groups to share information to improve performance, and encourages nonprofits to become engaged in sector-wide policy issues. Washington Nonprofits links other regional and national organizations that work to strengthen nonprofit organizations, resulting in a healthy, supported nonprofit community. Founded in 2009, Washington Nonprofits held listening sessions throughout the state and officially launched services in October 2011. It is a membership organization for nonprofits across all sizes, sub-sectors, and geography. Alison McCaffree serves as the Executive Director.

<http://www.washingtonnonprofits.org>

NANCY BELL EVANS CENTER ON NONPROFITS & PHILANTHROPY

The aim of the Nancy Bell Evans Center on Nonprofits & Philanthropy (the Center) is to enhance the understanding and vitality of the nonprofit and philanthropic sector. The Center conducts and supports research on nonprofits and philanthropy, and serves as an incubator for research-based nonprofit and philanthropic education at the University of Washington. The Center also convenes members of the academic, nonprofit, and philanthropic communities to stimulate thinking on current issues, share research and best practices, and promote increased dialogue and collaboration. The Center, housed within the Evans School of Public Affairs at the University of Washington, is directed by Professor Steven Rathgeb Smith.

<http://evans.washington.edu/nbec/>

NUMBERS AND TYPES OF NONPROFITS

Washington communities are served by over 56,000 nonprofit organizations. This number includes some of the largest and best known institutions in the state. Both the Bill and Melinda Gates Foundation and Gonzaga University are nonprofits, for example, and included in that number. However, the majority of nonprofits are small and local, often staffed largely by volunteers and little known outside the community where they operate.

In 2011, 56,412 nonprofit corporations were registered with the Corporations Division in the Secretary of State's office. While this number includes a large number of community-benefit organizations commonly identified as "charities" or "nonprofits," the majority of these Washington state nonprofit corporations fit into other categories such as chambers of commerce, recreation clubs and leagues, business associations, local water associations, and festivals. They are organized as *nonprofit* corporations because they do not have a goal of generating profits for any group of shareholders or owners. Instead, they use any revenue they receive to pursue their mission or support their members.

In addition, Washington (like many other states) requires registration and reporting by organizations that engage in fundraising from its residents; registered fundraising organizations are usually, but not always, nonprofits. Organizations that solicit charitable contributions from Washington residents are generally required (by RCW 19.09, the Charitable Solicitations Act) to report annually to the Charities Program of the Secretary of State. In July, 2011, there were 10,479 fundraising organization in the charities program rolls, of which 3,517 were based in some other state. During the past year, 858 new organizations registered to raise funds from Washington residents. Organizations that are not required to register by the Charitable Solicitations Act—principally churches— may file an optional statement that will show potential donors they are aware of the requirements and are exempt. In the summer of 2011, there were 2,613 such optional statements on file; during the previous year, 442 organizations submitted a statement for the first time, of which 266 were located outside of Washington. The 2011 Legislature adopted legislation making significant changes to RCW 19.09. The changes generally took effect on August 1, 2011, and have not affected the registrations on which this report is based. The substance of the changes in discussed later in this report.

Many Washington nonprofits have also been recognized as *tax-exempt* by the Internal Revenue Service. This means they are not required to pay corporate income taxes on any surplus of revenue over expenses (or "profit"). In 2011, 33,467 such organizations were based in the state. As with the nonprofit corporations registered with the state, there are a variety of provisions in the federal tax code that provide the exemptions. Of the exempt organizations in Washington, 74% fit into the familiar category known as 501(c)(3) organizations. This category includes both charities and foundations, as defined by the IRS. Subject to certain restrictions, individual taxpayers can usually deduct donations to these organizations when calculating their adjusted gross income for federal income tax purposes.

Both the state and the IRS use quite technical definitions to classify nonprofits, and there further caveats about interpreting these figures. Churches and related religious organizations are usually organized as nonprofit corporations, so it is likely they will be included in the roster of nonprofits maintained by the Secretary of State. But churches are not required to request recognition as exempt organizations by the IRS (though many do), so the 23,458 "public charities" included in the IRS records includes an unknown number of religious groups but very likely does not include them all. Also, nonprofits organized in other states that have significant operations within Washington will usually register (as expected) with the Secretary of State as "foreign corporations" and so will be counted along with the locally based organizations in the state records. On the other hand, the IRS records simply show the address of the principal office of the recognized organization, so some of the 501(c)(3) organizations counted with Washington addresses in the IRS files (World Vision, for example) may primarily operate or provide services in other states or abroad. Conversely, exempt organizations with headquarters in other states may provide significant services in Washington communities as, for example, the United Way of Columbia-Willamette in Portland, Oregon, serves Clark County.

Though the number of nonprofits reported in Washington may appear impressively large, many observers would argue that they actually underrepresent the true scope of the community benefits provided by activities conducted without

the goal of profit. An untold number of groups operate in communities of every size without any official registration or recognition—from carpools to block-watch collaborations to broad coalitions of like-minded people who act on the basis of news reports and Internet exchanges to influence public policy and respond to community needs.

(A more detailed explanation of the sources of these figures is in the data notes on page 13.)

CHANGES IN THE NUMBER AND FINANCES OF NONPROFIT ORGANIZATIONS IN WASHINGTON

A note on the federal data used in this report. In recent years, the Internal Revenue code has been revised to require new annual reports from exempt organizations, and the IRS has changed the forms used for that purpose and the thresholds that determine which form an organization may use. As a result, the underlying data used for this 2011 edition of “Nonprofits in Washington” have been assembled on a different basis from earlier years. The new reporting requirements and framework are described in the text below and in the Data Note on page 13.

In the early 1990s when the first “Nonprofits in Washington” report was published, there were approximately 32,000 nonprofit corporations and 13,000 federally recognized tax-exempt charities on record. By 2011 the number of nonprofit corporations registered with the state has increased to over 56,000. Over the same interval, the number of tax-exempt charities recognized by the IRS as a 501(c)(3) has nearly tripled to 33,467.

TABLE 1 Renewals, Formations, and Estimated Deviations from Expected Numbers of Nonprofit Corporations Registered in Washington State, 2004–2010

	2004	2005	2006	2007	2008	2009	2010
Nonprofit Renewals	41,112	34,338	40,159	43,699	46,781	45,286	45,906
Nonprofit Formations	4,159	4,134	4,515	4,822	4,378	5,067	4,550
Total	45,271	38,472	44,674	48,521	51,159	50,353	50,456
Deviation from Expected Number		(10,933)	1,687	(975)	(1,740)	(5,873)	(4,447)

Source: Corporations Division, Office of the Secretary of State (courtesy tabulations). Parentheses indicate negative numbers. The statistics for 2004 through 2006 may have been affected by changes in procedures and processing delays. See data notes on page 13.

The number of renewals filed each year with the Secretary of State provides a good indication of the number of nonprofits in operation at that time; the number of formations during the year tallies how many new organization file articles of incorporation. The information in the table above shows that a good number of nonprofits cease operation each year—the number of renewals in the subsequent year is often not as high as the total number of renewals and formations in the previous period. Not only did the total number of renewing nonprofit corporations decline slightly between 2008 and 2009, but an estimate of the number that closed between 2008 and 2009 was the highest seen in the most recent five years of data: 5,873. The parallel figure for 2009 to 2010 was lower, but at 4,457 it was still well above the experience before the economic downturn began in 2008.

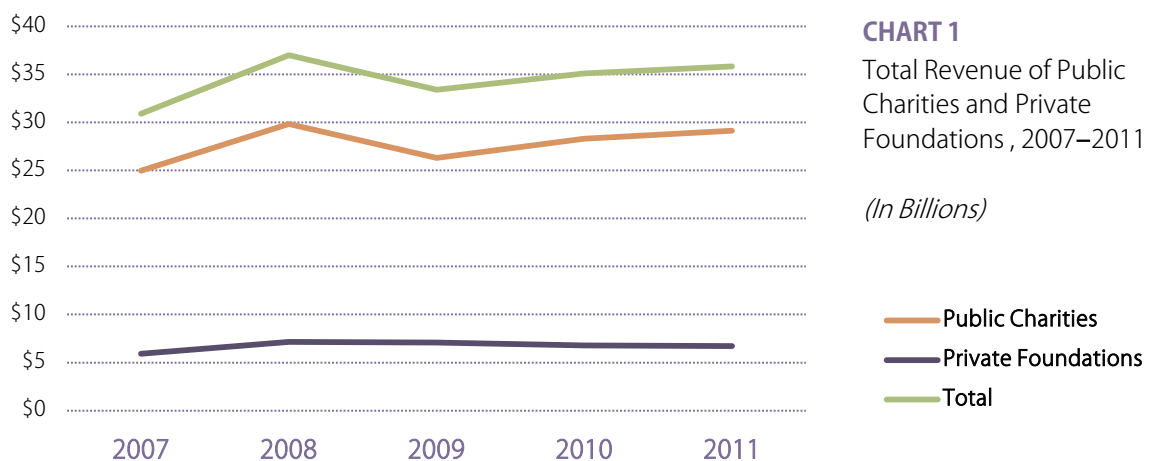
Nonprofits cease operations for a wide variety of reasons, of course. They merge with other organizations, they complete their projects and shut down, and in the recent economic downturn, they have faced reduced donor support, government cutbacks, and, for many, fewer paying participants in their programs. (For detailed discussion of these pressures, see “Resilient Nonprofits: How Western Washington Nonprofits Have Been Coping with the Impact of the Economic Downturn” at <http://evans.washington.edu/files/ResilientNonprofits%281%29.pdf>)

Information from recognized exempt organizations that file annual information returns with the IRS (known as Form 990) provides a direct look at how the finances of Washington-based public charities have fluctuated during the recent economic downturn. In the year before the financial crisis began, there were sharp increases in the number of reporting organizations, their total revenues, and their total assets. However, between 2008 and 2009, both revenues and assets declined. Similarly, the rate of increase in the number of filing organizations was only 9% compared to the previous year’s 40%. Assets have recovered more completely than revenues. Revenues have not yet returned to their 2008 level. These statistics are illustrated in the tables and charts below.

TABLE 2 Number, Revenues, and Assets of Reporting Public Charities, 2007–2011

	2007	2008	2009	2010	2011
Number	8,851	12,400	13,527	15,059	15,862
Total Revenue	24,970,195,793	29,851,157,209	26,308,920,529	28,306,514,362	29,122,166,791
Total Assets	35,759,804,503	40,839,323,282	38,852,379,306	40,941,418,515	43,959,653,864

Source: IRS data compiled by the National Center for Charitable Statistics, The Urban Institute. Used by permission. See data notes on page 13.

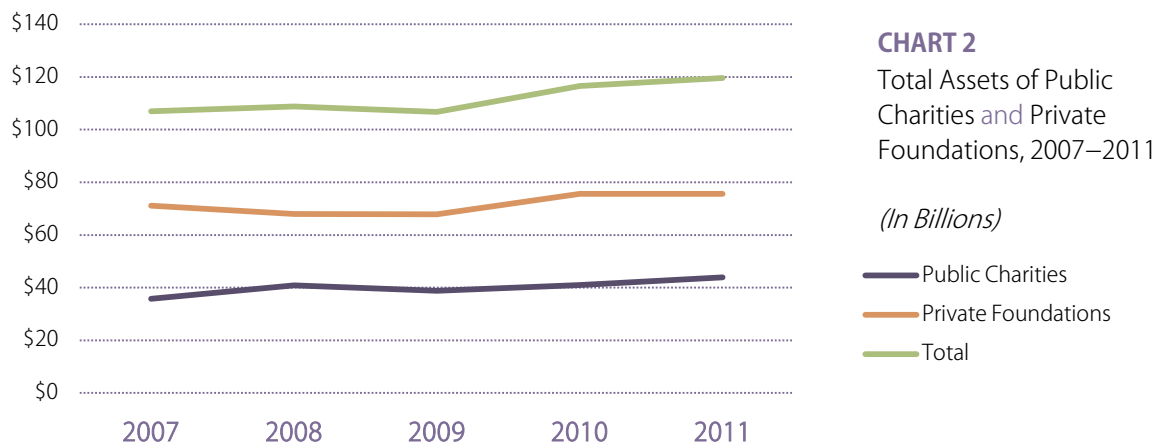


For private foundations, the IRS data reveal a similar pattern with a slower recovery. The total number of foundations has not grown appreciably throughout the five-year span (and actually declined by nearly 100 in the most recent period). Revenue grew by more than 1 billion dollars between 2007 and 2008 and has declined in each subsequent year. Total assets have increased in recent years as a result of stock-market fluctuations and additions from new donations.

TABLE 3 Number, Revenues, and Assets of Private Foundations, 2007–2011

	2007	2008	2009	2010	2011
Number	1,548	1,560	1,564	1,641	1,558
Total Revenue	5,934,270,273	7,151,678,467	7,098,611,894	6,798,988,055	6,726,525,398
Total Assets	71,176,412,328	67,920,313,685	67,878,441,225	75,593,126,499	75,633,733,746

Source: IRS data compiled by the National Center for Charitable Statistics, The Urban Institute. Used by permission. See data notes on page 13.



GEOGRAPHIC DETAIL

In **Table 4**, organizations have been grouped into “ZIP Regions” using the first three digits of the ZIP-code in their addresses. Although the total numbers of organizations in each administrative category differ greatly, the proportions of the various types of nonprofit organizations are fairly consistent within geographic regions.

The highest concentration for most categories of nonprofit organizations is in the city of Seattle (981xx) and surrounding King County (980xx). Higher numbers of nonprofits in every category are also found in the vicinity of Tacoma (983xx and 984xx), the state capital (985xx), in southwest Washington (986xx), and in the major city of the “Inland Empire,” Spokane (990xx and 992xx). Nonprofits such as trade associations and social action groups, defined by the IRS as “other,” show up more frequently in the vicinity of the state capital (985xx), as do the broad range of nonprofit corporations listed in the Secretary of State’s roster.

Notably, though, Seattle (981xx) includes a distinctly higher proportion of the state's 501(c)(3) organizations—public charities and private foundations—than is seen in any of the other administrative categories. In fact, more than 40% of the 501(c)(3) organization in the state are located in Seattle and surrounding King County (982xx). Among the organizations reported in the federal data, the other such distinctive concentration is in the proportion of “other” federally recognized tax-exempts in Thurston County (985xx), which includes the state capital, Olympia. Trade associations and social action groups are included in the “other” category, so this cluster in the state's political center is to be expected. It is also worth noting that the largest number of organizations in the state government's roster of nonprofit corporations is found in suburban King County (982xx); this is the only classification of organizations shown in **Table 4** for which this pattern is seen.

The small organizations newly required to report to the IRS in recent years¹—990-N filers—are found throughout the state in roughly similar proportions to their larger counterparts. They are found somewhat less frequently in Seattle than is the pattern for the larger reporting 501(c)(3) organizations, and somewhat more frequently than the larger 501(c)(3) group in the Olympia area (985xx).

This year, 2011, is the first year for the recently established process under which the IRS removes organizations that fail to file any form of required report for three consecutive years from the roster of tax-exempt groups. In August, the list of “revocations” included 8,156 organizations whose tax-exempt status had been revoked.² As shown in the right-most columns of **Table 4**, the pattern of revocations across the state matches fairly closely the distribution of federally recognized organizations overall—with more pronounced numbers in the city of Seattle and in the Olympia area. These data suggest that organizations have ceased to operate, or failed to heed the announcements from the IRS and others about these new rules, in about the same proportion in every part of state. Both the Form 990-N and the revocation process are discussed in more detail below.

It is not possible to add the federal statistics across the rows to calculate totals for the ZIP Regions because the categories are not exclusive. Very small organizations (990-N filers) may also appear among the non-reporting groups in both the 501(c)(3) and the “other” categories. The revocation process also affects all categories of federally recognized organizations; they can fall into any of the categories and, depending on the timing of action by the IRS, organizations that recently lost their tax-exempt status may or may not also be included in the other tallies. (This problem is a good example of the challenge of using administrative files to create profiles of the nonprofit sector; the IRS processes additions to the roster of exempt organizations and deletions from that list throughout the year and on differing schedules. As a result, a tally made from one data file will not align exactly with one done from a different file, even when there are no anomalies—misspellings are a common occurrence—or other unusual circumstances affecting the processing.)

As **Table 4** shows, nonprofits operate everywhere in Washington state. The more urbanized areas of the state, not surprisingly, include larger proportions of every type of organization. The concentration of financial resources (revenues and assets) among tax-exempt entities, as demonstrated by annual reports filed with the IRS, is even more sharply concentrated in the urbanized areas. This is particularly true for Seattle and King County, where the largest and most capital-intensive organizations in the state—principally hospitals, research laboratories, universities, and foundations—are located. The five urban counties highlighted in the charts below account for 65% of the total population of the state and nearly 70% of the number of 501(c)(3) organizations.

¹ Form 990-N was created by Congress in 2006 as a streamlined way to maintain the roster of smaller exempt organizations—ones that do not file another version of Form 990 because of their size.

² This process of revocation was also required by the legislation passed in 2006; the first list of organizations whose exempt status was being revoked was published by the IRS in June of 2011.

TABLE 4 Active Nonprofit Corporations; Organizations Recognized as Exempt from Federal Income Taxes; Exempt Status Revoked: 2011 (See Notes)

ZIP REGION	REGION NAME	State Data		Federal Data											
		ACTIVE NONPROFIT CORPORATIONS		REPORTING 501(c)(3)s		NON-REPORTING 501(c)(3)s		REPORTING OTHERS		NON-REPORTING OTHERS		990-N FILERS		REVOICATIONS	
980xx	King County (not Seattle)	10220	19%	3074	18%	1381	19%	955	13%	170	13%	2277	16%	1240	15%
981xx	Seattle and Bainbridge Island	9744	18%	4338	25%	1054	15%	1136	15%	180	14%	2450	17%	1881	23%
982xx	NW Portion of the State	7460	14%	2074	12%	940	13%	946	13%	140	11%	1829	13%	893	11%
983xx	Olympic Peninsula, Pierce Co.	5237	10%	1461	8%	690	10%	725	10%	127	10%	1461	10%	690	9%
984xx	Tacoma and Environs	3445	6%	1142	7%	471	7%	437	6%	70	5%	714	5%	544	7%
985xx	Thurston County	5039	9%	1095	6%	544	8%	735	10%	127	10%	1251	9%	639	8%
986xx	SW Portion of State	3179	6%	1109	6%	536	7%	504	7%	97	7%	969	7%	489	6%
988xx	North Central Portion of State	1733	3%	502	3%	271	4%	379	5%	72	5%	554	4%	273	3%
989xx	South Central Portion of State	1730	3%	465	3%	297	4%	341	5%	71	5%	501	3%	392	5%
990xx	Spokane Vicinity (not city)	743	1%	205	1%	119	2%	139	2%	38	3%	277	2%	121	2%
991xx	North East Portion of State	1116	2%	392	2%	168	2%	286	4%	62	5%	512	4%	218	3%
992xx	Spokane (city)	2426	4%	837	5%	340	5%	410	5%	76	6%	679	5%	421	5%
993xx	South East Portion of State	1836	3%	682	4%	390	5%	472	6%	74	6%	774	5%	328	4%
994xx	South East Corner of State	116	0%	61	0%	27	0%	27	0%	6	0%	73	1%	25	0%
TOTAL		54024	100%	17437	100%	7228	100%	7492	100%	1310	100%	14321	100%	8156	100%
		A		B		C		D		E		F		G	

Notes:

A: 2,388 organizations in the state's files do not have valid ZIP codes.

B: 501(c)(3)s with less than \$25,000 in annual revenue or less than \$200,000 in assets are not required to file Form 990. But see column F.

C: Recognized 501(c)(3)s that did not file a Form 990, Form 990-EZ, or Form 990-PF within the 24 months preceding August 2011.

B & C: Include both public charities and private foundations.

D & E: Federally recognized exempt organizations other than 501(c)(3)s that reported using one of the versions of Form 990 (in D) and (in E) that did not report in the 24 months preceding August 2011.

F: The total number of exempt organizations that filed a Form 990-N for their most recent fiscal year as of August 2011. Form 990-N (like other versions of Form 990) is due by the 15th day of the fifth month following the end of the organization's fiscal year; no extensions are permitted for 990-N filings.

G: As required by the Pension Protection Act of 2006, the Internal Revenue Service publishes a cumulative list of organizations that have been removed from the list of recognized tax-exempt entities because they have failed to file any informational return (Form 990) for three or more years; the numbers in column G are derived from the list as published in August of 2011.

Sources: State data —Corporations Division, Office of the Secretary of State, courtesy tally July, 2011; Federal data—National Center for Charitable Statistics, The Urban Institute, IRS Business Master File as of August 2011, used by permission; 990-N filers from IRS online at <http://www.irs.gov/app/ePostcard/forwardToDownload.do>; list of organizations that have had recognition revoked from the IRS online at <http://www.irs.gov/charities/article/0,,id=240099,00.html>.

Financial information is available only for the 14,347 organizations that file a Form 990 with the IRS—generally those with more than \$25,000 in revenue per year (see data notes on page 13). Organizations in King County, as the next two charts show, receive 85% of the revenue and hold 93% of the assets. The share of all other counties' nonprofit revenues, though comparatively small, totals \$5.1 billion; the share of assets in all other counties comes to \$7.8 billion.

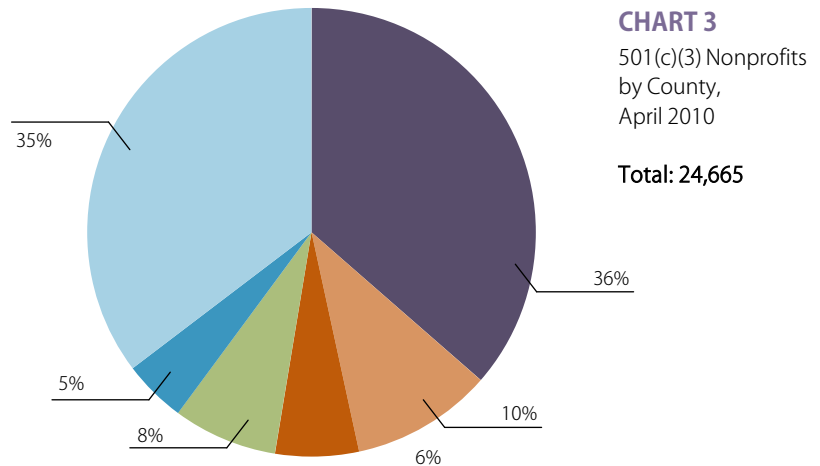


CHART 4
501(c)(3) Nonprofits
Revenues by County,
April 2010
Total: \$36,639,989,506

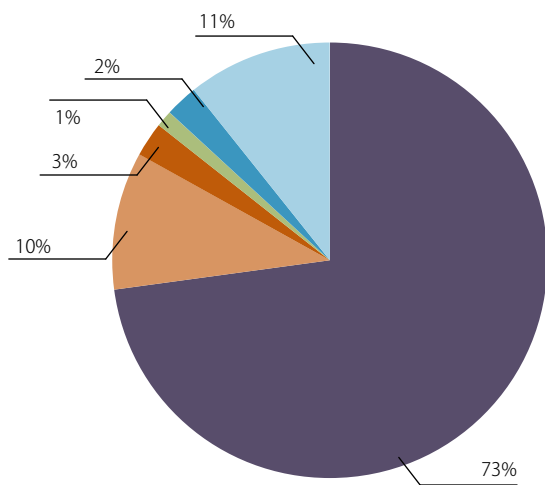
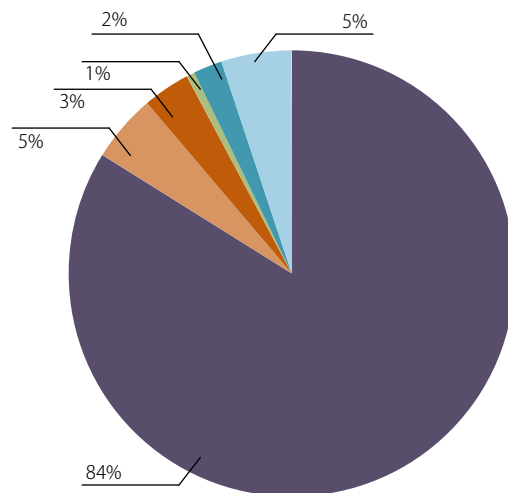


CHART 5
501(c)(3) Nonprofits
Assets by County,
April 2010
Total: \$120,022,314,301



SIZE OF WASHINGTON'S NONPROFIT ORGANIZATIONS

Most nonprofit organizations are small. There is no information that directly shows the sizes of the nonprofit corporations registered with the state, but using data about federally recognized nonprofits and foundations offers an indication of how many organizations operate entirely with volunteers or on very small budgets. There were 17,437 501(c)(3) organizations that filed a Form 990 in the 24 months preceding August 2011. An additional 7,228 were included in the IRS list of exempt organizations for Washington, but did not file; many of these will presumably be found on future lists of organizations whose tax-exempt status is automatically revoked because they have ceased operations, but failed to notify the IRS (there is more discussion of the effect of this new process below).

Of the filing organizations, 9,726 reported annual revenue of at least \$1 in the period ending in August 2011 (the other 7,711 reported no revenue or suffered losses for the year; a number which includes Form 990-N filers who are not asked to report revenue). Of those reporting positive revenue, twenty-five percent reported less than \$34,327; the median organization reported \$89,557; and 75% had revenue of less than \$354,018.³ In fact, nearly 99% of the reporting organizations had total revenue of less than \$10 million; only 252 received between \$10 million and the very largest amount—\$3.6 billion.

TYPE OF SERVICES

Charts 6, 7, and 8 show the numbers of reporting 501(c)(3) organizations in Washington state along with total revenues and assets, both financial and fixed, for organizations classified into several service categories. The six categories shown here combine data from 26 fields of service detailed in the data from federal reports.⁴ With substantial physical plants and significant fee and tuition income, education and health represent a significant portion of the financial activity among Washington nonprofits. At the same time, due to remarkable levels of gift-giving, the private and community foundations in Washington state (included in the category labeled “Philanthropy, Voluntarism, and Grantmaking Foundations”) account for almost two-thirds of the assets and a fifth of the revenues. The Bill and Melinda Gates Foundation alone accounts for much of these totals. The 2010 “Trends in Northwest Giving” report, prepared by Philanthropy Northwest, ranked the Gates Foundation as the largest funder to the northwestern United States, representing 28% of grant dollars to the region.

It is worth noting that these charts present foundations’ role in the finances of the nonprofit sector twice, since the revenues received in the current year by foundations will contribute to the foundations’ ability to make grants—reported as revenue by other sorts of organizations—in future years. Hence, some portion of the current revenue reported by the other types of nonprofits in these charts was received as income by foundations in past years. Further complicating this discussion is the fact that foundations’ grantmaking is not linked to the data by state, so there is no way to identify grants by out-of-state foundations to Washington nonprofits and grants by Washington foundations to out-of-state recipients. (Nationally, foundation grants make up about 3.3% of total revenues for nonprofits other than foundations.)

³ If it were possible to include revenue data for 990-N filers, the quartiles would have lower upper limits because all 990-N filers, by definition, had less than \$25,000 in revenue.

⁴ These statistics in all 26 categories for each of Washington’s 39 counties are included in the online supplement. “NTEE” is shorthand for National Taxonomy of Exempt Entities, the classification system used to code fields of service by the IRS.

CHART 6
501(c)3 Nonprofits,
Count by NTEE Group,
August 2011

Total: 24,665

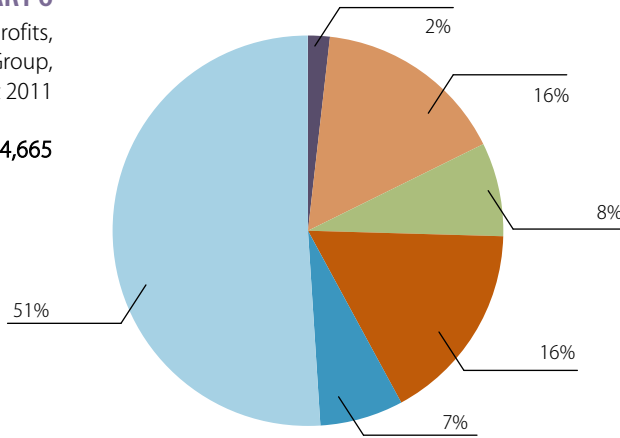
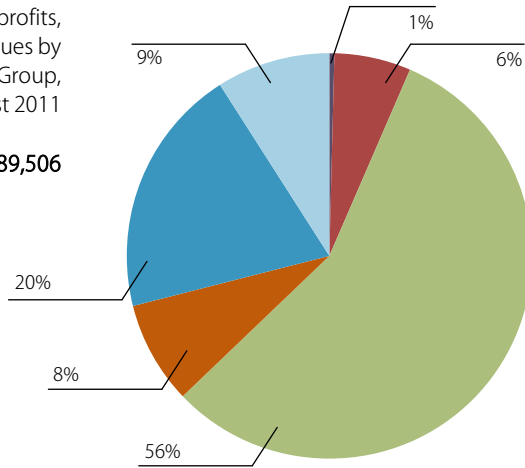


CHART 7
501(c)3 Nonprofits,
Total Revenues by
NTEE Group,
August 2011

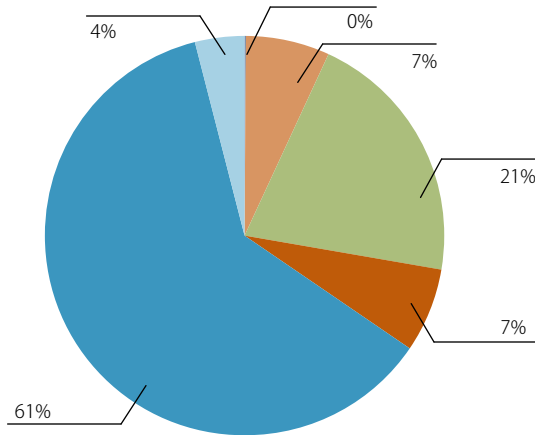
Total: \$36,639,989,506



- ARTS, CULTURE & HUMANITIES
- EDUCATION
- HEALTH
- HUMAN SERVICES
- PHILANTHROPY, VOLUNTEERISM, AND GRANTMAKING FOUNDATIONS
- PUBLIC BENEFIT

CHART 8
501(c)3 Nonprofits,
Total Assets by
NTEE Group,
August 2011

Total: \$120,022,314,301



NEW FEDERAL REPORTING REQUIREMENT AND AUTOMATIC REVOCATION FOR FAILURE TO FILE

Though exempt from filing with the IRS prior to 2008, most small exempt organizations are now required to complete IRS Form 990-N annually. Filing a Form 990-N confirms that the organization continues to operate and that it has revenues below the threshold that defines “small.”⁵ Some organizations are not required to file any version of Form 990 because they are exempt from filing (most often because of status as a religious congregation). The number of 990-N filings by organizations in Washington state has nearly doubled in the three years since the form was introduced to a total of 14,631 in the summer of 2011.

One policy goal for the creation of Form 990-N was to remove from the IRS files organizations that have completed their goals, merged, or simply stopped operating without informing the IRS. The rules established by the Pension Protection Act of 2006 (which defined the Form 990-N) provided that failing to file any annual report with the IRS for three consecutive years would result in automatic revocation of tax-exempt status.

On June 9, 2011, the IRS published the first list of organizations affected by this rule. There were 7,189 Washington state entities in that list. A second list was published by the IRS on August 3. It included an additional 1,002 organizations subject to automatic revocation. In the interval, the number of organizations showing the June revocation date was reduced by 35, meaning that the IRS had concluded that the earlier revocation was a result of an administrative error.

This process of automatic revocation is going to continue indefinitely. Any organization that misses three consecutive filings in the future will be automatically removed from the list of exempt organizations. Donors continue to be able to take deductions for gifts to organizations made before the date the organization’s status is revoked and its name appears on a published list; gifts made after that date, though, will not be deductible and might trigger an increase in taxes due for a donor whose return is audited.

In the interval following the publication of the regulations about automatic revocation, the IRS made extensive efforts to contact organizations that had not filed in recent years. These efforts included mailing announcements directly to the addresses the IRS had on file. Announcements were also distributed through mass media and by nonprofit support organizations and associations. In spite of these efforts, the complete list published in June included more than 300,000 names of organizations.

Recognizing that many smaller organizations might have somehow missed the announcements, the IRS has established a special process for re-instatement that will be available until the end of 2012. This process is described in IRS Notice 2011-43 (available online at <http://www.irs.gov/pub/irs-drop/n-11-43.pdf>). Sandy Deja, recognized expert in nonprofit tax issues, has published a comprehensive online guide for organizations seeking to secure reinstatement after automatic revocation; it is available (for \$8.95) from <http://501c3book.org/Regain.html>.

⁵ For fiscal years ending in 2011 and later, organizations with total revenues less than \$50,000 per year may file Form 990-N. The previous threshold, which applies generally to the statistics in this report, was \$25,000.

DEVELOPMENTS FOR WASHINGTON NONPROFITS —CHANGES TO STATE LAWS AND REGULATIONS

REVISIONS TO THE CHARITABLE SOLICITATIONS ACT

HB 1485 was passed unanimously by both houses during the 2011 legislative session. This legislation makes several important changes in the administration of the Charitable Solicitations Act and includes a long list of small technical amendments clarifying the rules and re-organizing Chapter 19.09 of the Revised Code of Washington. In general terms, the provisions of HB 1485 were in place on August 1, 2011; some new regulations will be required which will be adopted by the Office of the Secretary of State following drafting and public hearings.

The changes made by HB 1485 include the following:

- All-volunteer organizations with less than \$50,000 in annual revenues are now exempt from registration and reporting; the previous ceiling for the exemption was \$25,000. Small groups of volunteers who organize fundraising events will no longer be required to maintain registration with the Charities Program and file annual reports.
- Online posting of supplemental documents is permitted as an alternative to providing printed copies to the Secretary of State. This change means that registered organizations can use an online version of their Form 990 and their annual audit to satisfy the requirement that these documents be provided along with their annual report and renewal forms, saving postage and time for the filing organizations and handling and storage costs for the Charities Program.
- Initial registrations and other administrative notifications to the Charities Program are to be considered approved 20 days after receipt by the Office of the Secretary of State unless the filer has been notified to the contrary. Delays in processing will no longer delay fundraising activities.
- Contracts between charitable organizations and commercial fundraisers must be filed with the Charities Program before any of the contract activities begin.

More information about the requirements of RCW 19.09 can be found on the website of the Charities Program at <http://www.sos.wa.gov/charities/>. An introduction to the rules as they apply to nonprofit organizations is presented in "Soliciting for Charity in Washington," which is available online from the "Resources" page at <http://www.washingtonnonprofits.org>.

Since 2009, Washington state has not permitted the formation of new "corporations sole"—a specific kind of nonprofit corporation designed in the past to hold the property of religious organizations. The change to RCW 24.12 allowed existing corporations sole to continue while adding a requirement for an annual report. Creating a corporation sole was frequently wrongly understood to confer immunity from certain taxes on individuals. As the requirement to file an annual report has come into effect, the number of active corporations sole in the files of the Secretary of State has declined sharply; in August of 2009 the number was 1,280 (down from over 4,000 two years ago). There is a process for reinstating corporations sole if the administrative dissolution occurred when the corporation was in fact operating as expected, but for some reason missed the requirement to file the report.

CHANGES IN TAX RULES FOR NONPROFITS

In addition to the overhaul of charitable solicitations rules, the 2011 Legislature made some changes to the taxes that offered relief for three specialized groups of nonprofits in the state. Also, the Department of Revenue issued new interpretations, effective July 1, 2011, that clarify the taxes due from another group of nonprofits.

Payments from government agencies for child welfare and mental health services can now be passed through an intermediary without becoming subject to Business and Occupation (B&O) tax; previous law had exempted only payments that came directly from the government. The Legislature recognized that governments increasingly contract with nonprofits to manage the distribution of state support and, in HB 1902 and ESHB 1224, adjusted the tax code to align with the new procedures.

The existing B&O deduction for Nonprofit Property Managers who receive support for onsite personnel from a property management trust account was broadened by SB 5289.

Taxes on amateur sports leagues and facilities were the subject of Excise Tax Advisory 3167.2011. In it, the Department of Revenue distinguishes between fees that provide access to facilities or opportunities to participate in games or events and those that support the administration of nonprofit sports leagues and similar organizations. Sales tax must be collected on the amounts collected for access to or any participation in a sport or activity. Sales tax is not due on amounts paid purely for administration and that provide no right to participate in the underlying activity. The one exception from the sales tax obligation is for organizations whose mission is character building for youth; the RCW provides that B&O and sales tax is not due for any league or entry fees they charge for participation (RCW 82.04.4271 and 82.08.0291).

In the advisory, the Department of Revenue said it would work with nonprofits that made a good faith effort to collect these taxes between July 1 and September 31 to find a fair resolution of the obligation incurred in that period. After the end of September, all taxpayers were expected to meet the responsibility for collecting the tax as due.

DATA NOTES

To estimate the number of nonprofits in Washington state, show their distribution within the state, and describe some of their characteristics, this report draws on the records that government agencies collect for administrative purposes.

The State of Washington registers nonprofit corporations formed in the state as well as nonprofits incorporated elsewhere that operate within the state. The Corporations Division in the Office of the Secretary of State renews the corporate status of nonprofits filing an annual report each year and enrolls newly formed nonprofits as the necessary paperwork is filed. Nonprofit corporations are removed from the rolls in two ways: some organizations file a “notice of dissolution” when they wind up their affairs, while others simply fail to file the required annual report and are, eventually, dissolved administratively. Throughout the year, organizations that have been administratively dissolved apply for re-instatement (as is permitted by the rules). As a result, the tally of “active” corporations on the rolls can vary from time to time, influenced by filing deadlines, processing schedules, and the volume of requests for reinstatement. The ZIP code reported for a Washington nonprofit corporation may reflect the location of the corporation’s registered agent and not the site of its operations. This pattern probably overstates the numbers shown in **Table 4** in the more urban areas of the state. In a separate program, the Corporations Division also registers charitable organizations that solicit donations from Washington residents.

The Internal Revenue Service receives annual reports from more than 20 kinds of organizations that qualify for exemption from federal corporate income taxes. The largest category of such groups, and the most familiar, includes tax-exempt “public charities” and “private foundations” described in section 501(c)(3) of the Internal Revenue Code. Churches, broadly defined, and their integrated auxiliaries are not required to report to the IRS, though some do so voluntarily. There are also a variety of other categories of exempt organizations listed in the tax law; these are not, in general, eligible to receive tax-deductible donations to support their activities. These other forms of exempt organizations include business leagues, social clubs, and advocacy organizations along with a variety of less common sorts of institutions.

Most of these organizations are required to file some sort of “informational return” each year with the Internal Revenue Service. The most common of these returns are filed using one or another of the various versions of IRS Form 990. Recently, the Internal Revenue Service made extensive revisions in the version of Form 990 filed by larger public charities. The new Form 990 requires presentation of additional financial and program information on one or more optional schedules, depending on the nature of the financing and program activities of the filing organizations. Relatively few of the organizations included in the statistical summaries in this report have filed with the IRS using the new version of the form, though, since the effective date for use of the new form varies with organizational financial status (larger organizations were required to use the new form sooner than smaller ones). In 2012 the effects of the transition will have a larger effect on the information available; in later years, these changes will become part of the historical series and interpretation of the data will be more straightforward.

There is also a new form for use by smaller organizations known as Form 990-N. For fiscal years ending before December 31, 2010, this form was used by organizations with less than \$25,000 in annual revenue. Beginning in 2011, the threshold was raised to \$50,000. There is also a Form 990-EZ, available for organizations too large to use Form 990-N whose revenues do not reach the amount that requires use of the full Form 990. The selection of which form to file based on the new threshold affects the statistics in this report to some degree since most of the recent data includes some number of organizations with fiscal years ending in the first few months of 2011. The number of organizations with fiscal years that end in that interval is small, though. Financial data and other detailed information will, however, be available for a smaller number of nonprofits in 2012 and subsequent years as this change takes full effect.

Until recently, such small organizations were not required to file any sort of annual report with the IRS. When Congress created the Form 990-N it also directed the IRS to remove from the rolls of exempt organizations any group that failed to file a report using one of the required forms for three consecutive years. As described in the text, this process of “automatic revocation” began to take effect in the Spring of 2011 and the federal statistics used for this report reflect the resulting changes. These new rules will affect the numbers reported in federal statistics, and the amount of data available for organizations of different sizes, more completely in future years.

By agreement with the Internal Revenue Service, the National Center for Charitable Statistics (NCCS) at the Urban Institute publishes online detailed information from IRS Form 990 for tax-exempt entities. The information published as of a given month represents the most recent forms filed by the included organizations within the past 24 months. The financial information shown in this report is based on data fields that have been scanned by NCCS to correct for frequent anomalies—such as rounding to the nearest \$1,000. Visiting <http://nccsdataweb.urban.org> allows online access to these statistics using a variety of pre-formatted reports.

NONPROFIT SUPPORT ORGANIZATIONS

Alliance of Nonprofits (Seattle)

<http://www.exec-alliance.org/>

Center for Nonprofit and Social Enterprise Management

Seattle University <http://www2.seattleu.edu/artsci/mnpl/>

Executive Service Corps of Washington

<http://www.escwa.org/>

Nancy Bell Evans Center on Nonprofits and Philanthropy

Evans School of Public Affairs, University of Washington

<http://evans.washington.edu/nbec>

Nonprofit Alliance (Port Angeles)

http://www.jccfgives.org/jccf_gives_back/jc_nonprofitalliance.html

The Nonprofit Center (Tacoma)

<http://www.npcenter.org/>

The Nonprofit Network (Vancouver)

<http://nonprofitnetworkwa.org/>

Northwest Nonprofit Resources (Spokane)

<http://www.nnr.org/>

United Way of King County

<http://www.uwkc.org/>

Washington Nonprofits

<http://www.washingtonnonprofits.org>

Whatcom Council of Nonprofits

<http://www.wcnwebsite.org/>



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