

RESEARCH REPORT

From Camps to Campaign Funds

The History, Anatomy, and Activities of 501(c)(4) Organizations

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Contents

Acknowledgments	iv
Background and Context	1
Introduction	1
What Section 501(c)(4) Says	2
Original Intent, or Lack Thereof	3
Anatomy of the 501(c)(4) Subsector	4
501(c)(4) Overview	4
Distribution by Size	8
501(c)(4) and Related Nonprofit Subsectors	9
Recent Trends	11
Trends in 501(c)(4) Formation	13
Identifying Advocacy and Political Organizations	15
Screening for 501(c)(4) Advocacy Organizations: Toward a Refined Methodology	16
Limitations and Validation	17
Methodology and Results	19
Conclusions	26
Lessons	26
Opportunities for Further Research	27
Appendix A. Number of Advocacy Organizations, by Search Term	29
References	31
About the Author	35
Statement of Independence	36

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Background and Context

Introduction

501(c)(4) “social welfare” organizations are the second-most common type of nonprofit organization registered with the Internal Revenue Service (IRS) after 501(c)(3) organizations.¹ They are also the legal home of some of the most powerful political interest groups in the country, such as the AARP (formerly known as the American Association of Retired Persons), the National Rifle Association, and the National Association for the Advancement of Colored People. Yet a few years ago, the 501(c)(4) category itself was mostly out of the public eye—something of a historical accident in the regulatory code, a catchall home for a hodgepodge of entities “which could not qualify as charitable, educational, or religious, but whose activities somehow benefited the general public” (Chisholm 1988). As a result, the 501(c)(4) category is exceedingly difficult to describe comprehensively.

The *Citizens United v. FEC* decision by the US Supreme Court in January 2010 is often cited as the catalyst for the rise of 501(c)(4) organizations to public prominence because of the sheer force of their political influence,² but the growth in election season political spending by (c)(4) organizations began in earnest during the 2008 election cycle.³ Much of the recent rise in tax-exempt election spending has been concentrated in a handful of sizable 501(c)(4) organizations that use that status to protect the identity of their donors and avoid paying taxes, options unavailable to more traditional political organizations such as political action committees (PACs) (Briffault 2011). Recent controversy around alleged improper actions by the IRS in reviewing applications for tax-exempt status has only sharpened the focus on these organizations and heightened the calls for reform.⁴ As a result, the US Treasury Department released proposed regulations just after Thanksgiving 2013 (IRS 2013b) that attempted to clarify the rules governing 501(c)(4) political activity. That proposal shattered the previous record for public feedback by “generating over 150,000 comments.”⁵ In light of such attention and the still-looming potential for a regulatory overhaul, the need to comprehensively describe the 501(c)(4) subsector and its components is greater than ever.

Section 501(c)(4) is primarily in the public debate as the locus for organizations engaging in efforts to influence public policy. These efforts take many forms: direct lobbying, grassroots organizing, voter registration and mobilization, and candidate-specific political activity. The latter activity is only allowable in limited amounts for 501(c)(4)'s and is deemed an activity unrelated to the organization's primary tax-exempt purpose. Many organizations engaging in any type of activity related to policy

influence engage in more than one, and as a result, distinguishing between lobbying and political electioneering is extremely difficult based on surface characteristics. Therefore, although recognizing these categories are distinct in nature, we consider the various types of advocacy⁶ activities as a single category in our effort to delineate the subsector's contours.

This report builds on the previous analyses by Krehely and Golladay (2001) and Koulish,⁷ employing an “advocacy screen” to provide as close an approximation of the number of 501(c)(4) advocacy and political organizations as possible while presenting a coherent and replicable methodological framework. A related analysis by Koulish and Post (2014) explored a random sample of 100 advocacy organizations with expenses less than \$2 million identified by using the screen laid out here. Using a combination of quantitative data from Forms 990 and qualitative information collected from the organizations' websites, they constructed a more robust overview of organizational characteristics. They found a range of advocacy activities: 80 of 97 organizations with sufficient information carried out some form of identifiable advocacy, with 68 conducting grassroots advocacy and 41 engaging in voter education. Twenty-one organizations endorsed or openly supported candidates or ballot initiatives.⁸ This report furthers the analysis and refines the methodology to enable further research. It provides a comprehensive overview of the social welfare subsector's purpose, structure, and relationship to the policymaking process. Although the specifics of the debate regarding regulatory reforms are not directly discussed, the findings illustrate why consistent regulation of 501(c)(4) activities has proved so elusive.

What Section 501(c)(4) Says

The group of organizations known as social welfare organizations, or 501(c)(4)'s, derives its name from Section 501(c)(4) of the United States tax code, or 26 U.S.C. § 501(c)(4) in legal shorthand. Section 501(c)(4) specifies the following entities as exempt from taxation:

1. Civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare; and
2. Local associations of employees, the membership of which is limited to the employees of a designated person or persons in a particular municipality and the net earnings of which are devoted exclusively to charitable, educational, or recreational purposes.⁹

The statute further states that a 501(c)(4) organization's net income cannot be distributed to any private shareholder or individual.

The subsector has evolved over time to accommodate organizations and other associations operating in the gray area between charitable and private-sector activity. Most organizations qualify for 501(c)(4) status because they provide services that do not meet the legal definitions of charitable activity, often because they are targeted to a defined group of beneficiaries, but whose services enhance the general welfare of the community and serve a public purpose.¹⁰ Efforts to promote the general welfare of the community can take many forms, and the result is staggering variety across the subsector.

Original Intent, or Lack Thereof

One might say the current makeup and structure of the 501(c)(4) subsector is a product of historical accident. The history of the 501(c)(4) exemption is muddled, but it dates back at least a century. The Revenue Act of 1913, the law that implemented a federal income tax, included a provision exempting from taxation “any civic league or organization not organized for profit, but operated exclusively for the promotion of social welfare.”¹¹ There is no written record of the rationale behind the provision, but it is thought the Chamber of Commerce lobbied strongly for the exemption of business and civic associations (Reilly, Hull, and Braig Allen 2003). In 1924, the statute was amended to include local associations of employees.

A major overhaul of the tax code in 1954 created a dedicated subchapter for tax-exempt organizations, starting with a list of exempt organizations by type in Section 501(c). The structure of that section remains largely in place, but interpretation of the code has evolved over time. A 1955 IRS ruling established that grassroots issue advocacy,¹² legislative advocacy, and lobbying activities fall under the purview of social welfare activity,¹³ and it codified those rules four years later, issuing regulations that allow organizations influencing legislation to qualify as social welfare organizations.¹⁴ Finally, in 1981, an IRS ruling explicitly allowed 501(c)(4) organizations to engage in political activities as long as those activities do not constitute the organization’s primary purpose.¹⁵ The lack of a clear legal or regulatory definition for “primary purpose” has proved to be a notable source of controversy, as arguably political interests have been conducting activities to directly advocate for the election or defeat of political candidates through 501(c)(4) organizations with increasing frequency in recent years.

Yet as we shall see, the rules governing political activity are of little to no consequence for most 501(c)(4) organizations because they are not involved in advocacy activities, let alone electoral politics. The subsector contains a dizzying array of organizational missions, structures, sizes, and activities.

Anatomy of the 501(c)(4) Subsector

Because of the ambiguity over the definition of social welfare, the (c)(4) subsector “has sometimes been used by both the courts and the Service as a ‘catchall’ exemption provision for organizations that lack the accepted essential characteristics of taxable entities, but elude classification under other subparagraphs of IRC [Internal Revenue Code] 501(c)” (Chick and Henchey 1995). In other words, Section 501(c)(4) serves as a sort of dumping ground for organizations otherwise difficult to categorize, assuming the organizations have a significant social welfare mission (Reid 2006). As a result, the subsector as a whole proves exceedingly difficult to describe comprehensively. However, data on Forms 990 filed by these organizations and obtained through the National Center for Charitable Statistics (NCCS) can help us better ascertain the broad scope and activities of the 501(c)(4) universe, allowing us to compare the realities of the sector to perceptions.

501(c)(4) Overview

NCCS contains a pair of databases, the monthly-updated IRS Business Master File and the annually-updated Core File, which together offer a relatively complete picture of the nonprofit landscape. The Business Master File contains basic information on every organization registered with the IRS¹⁶ and believed to be active. The NCCS Core File captures financial information for every organization filing a Form 990 return and is considered the more accurate estimator of aggregate sector activity. Every organization with revenues greater than \$50,000 (\$25,000 prior to 2011) must file such a return.¹⁷ Therefore, this database captures the vast majority of nonprofit financial activity.

Using National Taxonomy of Exempt Entities (NTEE) program codes,¹⁸ we can classify 501(c)(4) organizations into distinct organization types to empirically quantify the social welfare subsector’s breadth (table 1). A detailed breakdown of NTEE codes can be found in appendix A.

Approximately six out of seven (c)(4) organizations reside within either the human services or the public and societal benefit category, with the remainder rather evenly divided among the other program areas. The concentration of organizations within the public and societal benefit category is primarily due to the ubiquity of community-based and local organizations; nearly half of (c)(4) organizations reside within the “S – Community Improvement and Capacity Building” NTEE group, far more than any other category.¹⁹ Many of these organizations are local chapters of well-known umbrella organizations such as Rotary International; the most common types of organizations are examined in a

subsequent section. The human services category primarily encompasses housing-related, public safety, and recreational organizations serving a particular geographic community.

TABLE 1

501(c)(4) Organizations by Major National Taxonomy of Exempt Entities Category

NTEE program category	Number and percentage of 501(c)(4) organizations registered with IRS	Number and percentage of 501(c)(4) organizations filing Form 990	Percentage of registered organizations filing Form 990
Arts and culture	2,385 (2.9%)	981 (3.4%)	41.1
Education	2,479 (3.0%)	701 (2.4%)	28.3
Environment and animals	2,376 (2.9%)	1,042 (3.6%)	43.9
Health	1,523 (1.9%)	820 (2.8%)	53.8
Human services	23,676 (29.0%)	11,974 (41.4%)	50.6
International affairs	249 (0.3%)	99 (0.3%)	39.8
Mutual/membership and other	1,360 (1.7%)	468 (1.6%)	34.4
Public and societal benefit	47,116 (57.7%)	12,661 (43.8%)	26.9
Religion related	326 (0.4%)	120 (0.4%)	36.8
Domestic total	81,490 (99.9%)	28,866 (99.9%)	35.4
Foreign organizations	99 (0.1%)	40 (0.1%)	40.4
Total	81,589 (100%)	28,906 (100%)	35.4

Sources: IRS Business Master File, June 2014; NCCS Core File, 2012.

Because the NTEE system is not designed to match the contours of the (c)(4) subsector or distinguish advocacy organizations in a reliable manner, it may be preferable to parse the subsector in a more conceptually accessible way. To this end, a 2013 analysis by Koulish randomly sampled 100 (c)(4) organizations reporting revenues of greater than \$25,000 and found that “fully two-thirds of these organizations can be easily identified as not engaged in lobbying or political activities.”²⁰ As table 2 shows, a clear majority of 501(c)(4) organizations can be placed into specific categories.

The distribution of organizations among the universe of 501(c)(4) organizations mirrors that of the 100 organizations sampled by Koulish.²¹ The most common types of organizations include community service clubs, volunteer fire departments, veterans’ organizations, and sports and recreational clubs open to the broader community. Box 1 and table 3 focus on types of community service clubs and their revenues, respectively. Although there is a wide variety of 501(c)(4) organizations, revenue taken in by the subsector is highly concentrated among health organizations, particularly giant hospital chains and HMO insurance providers. Likewise, the majority of cumulative revenue in the sports and recreation

and foreign categories is concentrated in three giants: the governing bodies of international soccer and the Olympics²² and a locally owned racetrack and casino complex in Iowa that distributes its net earnings to public and charitable institutions in the surrounding community.

TABLE 2

501(c)(4) Organizations by Type

Organization type	Number and percentage of 501(c)(4) organizations registered	Number and percentage of 501(c)(4) organizations filing Form 990	Revenue (number and percentage)
Community service clubs	31,811 (39.0%)	7,506 (26.0%)	\$702,095,840 (0.8%)
Health providers and insurers	459 (0.6%)	314 (1.1%)	\$62,715,346,590 (72.5%)
Homeowner and tenant associations	1,891 (2.3%)	988 (3.4%)	\$586,706,079 (0.7%)
Housing communities and developments	978 (1.2%)	819 (2.8%)	\$921,778,251 (1.1%)
Military and veterans organizations	6,365 (7.8%)	1,102 (3.8%)	\$303,046,379 (0.4%)
Neighborhood and community associations	3,804 (4.7%)	1,557 (5.4%)	\$870,579,428 (1%)
Sports and recreation	8,265 (10.1%)	3,888 (13.5%)	\$3,413,831,029 (3.9%)
Volunteer public safety	5,167 (6.3%)	3,902 (13.5%)	\$917,955,288 (1.1%)
Other	22,750 (27.9%)	8,790 (30.4%)	\$10,780,905,841 (12.5%)
Domestic total	81,490 (99.9%)	28,866 (99.9%)	\$81,212,244,725 (93.8%)
Foreign organizations	99 (0.1%)	40 (0.1%)	\$5,325,229,383 (6.2%)
Total	81,589 (100%)	28,906 (100%)	\$86,537,474,108 (100%)

Sources: IRS Business Master File, June 2014; NCCS Core File, 2012.

Note: See table 7 of this report for a breakdown of the “other” category.

A clear majority of social welfare organizations can be naturally categorized as voluntary associations that offer some broader community benefit but that do not qualify as public charities because, in most cases, membership eligibility is restricted in some manner. That majority includes members of the seven largest categories listed above. Although some of them engage in lobbying and even electoral activities, it is doubtful that more than a sliver of them are incorporated as (c)(4)'s with the primary purpose of influencing public policy outcomes. Krehely and Golladay (2001) concur, concluding that “very few 501(c)(4) organizations consider themselves to be advocacy organizations, and that many groups classified under this section of the tax code are not interested in changing laws, influencing elections, or representing their members’ interests to policymakers.”

Thus, we can infer that (c)(4) advocacy activity is contained almost entirely within the “other” category, which constitutes less than one-third of the organizations and less than one-seventh of

overall revenues in the subsector. Below, we focus on estimating the number of advocacy-oriented organizations with greater detail and explore the difficulty in estimating that number.

BOX 1

Spotlight: Community Service Clubs

Community service clubs are the most common (c)(4) organization by number. Service clubs originated at the outset of the 20th century and grew rapidly during the years immediately after World War I. According to Charles (1993), “the service clubs were a novel phenomenon, and many regarded them as quintessential expressions of a changing middle-class life.” They represent something of a strange blend of social clubs, business networking associations, and community-based volunteering groups (Kou et al. 2013). Community service clubs were most prominent before 1940, but they have reinvented themselves through the years to remain relevant to the social fabric, both here and abroad.

The universe of community service clubs filing Forms 990 is dominated by local chapters of three visible organizations: Rotary International (3,298), the International Association of Lions Clubs (1,891), and Kiwanis International (996). Each of these organizations claims membership in the millions (Kou et al. 2013). Overall, community service clubs are in nearly every major town in the United States and are predominantly very small in size.

Krehely and Golladay (2001) highlight community service clubs as organizations that might be mistakenly categorized as advocacy organizations. They are classified within the larger category of “community improvement and capacity building,” which includes many advocacy organizations. Indeed, many of these organizations checked an advocacy-related activity code²³ on their Forms 990, but the authors view that phenomenon as evidence of the pitfalls of relying on self-reporting rather than the nature of the organizations themselves: the self-selected codes “do not represent an objective interpretation of each organization’s activities (Krehely and Golladay 2001).

TABLE 3

501(c)(4) Community Service Clubs Filing Form 990

Revenue category	Number of 501(c)(4) community service clubs filing Form 990	Revenue
\$0 or less	69	-\$1,185,735
\$1-\$25,000	1,803	\$25,568,488
\$25,001-\$50,000	2,452	\$90,071,493
\$50,001-\$100,000	2,057	\$140,664,987
\$100,001-\$500,000	1,046	\$190,422,262
\$500,001-\$1,000,000	63	\$41,332,045
\$1,000,001-\$10,000,000	21	\$48,280,462
\$10,000,001-\$100,000,000	3	\$168,606,177
Total	7,514^a	\$703,760,179

Source: NCCS Core File, 2012.

Note: A large number of community service clubs (approximately 24,000) are registered with the IRS but did not file a Form 990 or 990-EZ in recent years. Most of these organizations filed Form 990-N, otherwise known as the e-Postcard, indicating less than \$50,000 in revenue.

^a Eight filing organizations categorized as community service clubs have foreign addresses, and as a result they are included in the “foreign organizations” category in tables 1 and 2.

Distribution by Size

The distribution of revenues among 501(c)(3) public charities is very top heavy: the 5.3 percent of charities with revenues greater than \$10 million take in some 86.5 percent of the revenue (McKeever and Pettijohn 2014). As table 4 suggests, the 501(c)(4) universe proves to be even more skewed toward a handful of giants.

Of the organizations filing a Form 990, a group that already excludes many of the smallest organizations, organizations with more than \$10 million in revenue constitute just 1.0 percent of the total. Yet they account for 91.4 percent of total subsector revenue. A majority of dollars in the subsector flows through just 25 organizations, less than one-thousandth of the total number of organizations. Like public charities, many of the largest organizations—20 of the 25—are health providers or insurers (McKeever and Pettijohn 2014). The exceptions are the seniors’ rights organization AARP, widely considered one of the most powerful lobbying organizations in the country,²⁴ as well as a financing organization for rural utilities and the three sports and recreation organizations previously mentioned. This distribution mirrors the findings of Krehely and Golladay

(2001), and a comparison of 2001 and 2012 numbers indicates even the growth among 501(c)(4) organizations in the past decade is heavily skewed toward the top.

TABLE 4

501(c)(4) Organizations Filing Form 990, by Size

Revenue category	Number and percentage of 501(c)(4) organizations filing Form 990	Revenue (number and percentage)	Average revenue
\$0 or less	546 (1.9%)	-\$14,472,097 (-0.0%)	-\$26,506
\$1-\$25,000	5,146 (17.8%)	\$62,128,219 (0.1%)	\$12,073
\$25,001-\$50,000	5,608 (19.4%)	\$207,196,635 (0.2%)	\$36,947
\$50,001-\$100,000	6,577 (22.8%)	\$466,959,472 (0.5%)	\$70,999
\$100,001-\$500,000	7,856 (27.2%)	\$1,678,495,252 (1.9%)	\$213,658
\$500,001-\$1,000,000	1,394 (4.8%)	\$976,637,708 (1.1%)	\$700,601
\$1,000,001-\$5,000,000	1,281 (4.4%)	\$2,687,998,146 (3.1%)	\$2,098,359
\$5,000,001-\$10,000,000	200 (0.7%)	\$1,380,789,027 (1.6%)	\$6,903,945
\$10,000,001-\$100,000,000	205 (0.7%)	\$6,128,309,072 (7.1%)	\$29,894,191
\$100,000,001-\$1,000,000,000	68 (0.2%)	\$24,837,167,178 (28.7%)	\$365,252,459
More than \$1,000,000,000	25 (0.1%)	\$48,126,265,496 (55.7%)	\$1,925,050,620
Total	28,906 (100%)	\$86,537,474,108 (100%)	\$2,993,755

Source: NCCS Core File, 2012.

501(c)(4) and Related Nonprofit Subsectors

Some common types of 501(c)(4) organizations are also evident among the ranks of public charities. For example, both subsectors contain ample numbers of veterans’ organizations and volunteer fire departments.²⁵ Many large advocacy-oriented organizations create separate entities to segregate their activities between a public charity and a social welfare organization—sometimes named an “education fund” and an “action fund,” respectively—to ensure greater program flexibility in compliance with regulatory boundaries (Boris and Maronick 2012).

Regulatory structures and scholarly work (Reid 2006) often group Section 501(c)(4) organizations with 501(c)(5) and 501(c)(6) organizations. The rules governing all three categories are designed to accommodate nonprofit, noncharitable associations dedicated to advancing the interests of some designated membership, which in turn enhances the common good. These organizations are allowed to

collect financial dues from those members and operate in their interest, but they cannot distribute surplus income to their members directly as if they were shareholders or investors. 501(c)(4), (c)(5), and (c)(6) organizations are also allowed to use an unlimited portion of their budget for direct or indirect lobbying activity, and they can engage in election activity as long as it is not their primary purpose. The types of (c)(5) and (c)(6) organizations are much less diverse than is the case for the (c)(4) subsector. For example, the legal home for labor unions and farm bureaus is 501(c)(5), and business leagues like the Chamber of Commerce are in 501(c)(6).

The distribution of Section 501(c)(4) organizations shares commonalities with all three of its counterparts, but it exhibits major differences from each as well. Tables 5 and 6 show program categories by IRS registration status and Form 990 filing, respectively, for 501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6) organizations.

TABLE 5

Number and Percentage of 501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6) Organizations Registered with the IRS in 2012

Program category	501(c)3	501(c)4	501(c)5	501(c)6
Arts, culture, and humanities	94,695 (8.9%)	2,385 (2.9%)	1,090 (2.4%)	2,965 (4.8%)
Education	153,898 (14.4%)	2,479 (3.0%)	7,255 (16.1%)	6,839 (11.0%)
Environment and animals	49,354 (4.6%)	2,376 (2.9%)	553 (1.2%)	1,702 (2.7%)
Health	76,402 (7.2%)	1,523 (1.9%)	421 (0.9%)	7,843 (12.6%)
Human services	246,568 (23.1%)	23,676 (29.0%)	30,437 (67.4%)	8,609 (13.8%)
International affairs	16,933 (1.6%)	249 (0.3%)	216 (0.5%)	966 (1.5%)
Mutual/membership and other	6,266 (0.6%)	1,360 (1.7%)	837 (1.9%)	1,660 (2.7%)
Public and societal benefit	173,733 (16.3%)	47,116 (57.7%)	4,261 (9.4%)	31,554 (50.6%)
Religion-related ^a	245,375 (23.0%)	326 (0.4%)	16 (0.0%)	97 (0.2%)
Domestic total	1,063,224 (99.8%)	81,490 (99.9%)	45,086 (99.9%)	62,235 (99.8%)
Foreign organizations	2,210 (0.2%)	99 (0.1%)	62 (0.1%)	114 (0.2%)
Total	1,065,434 (100%)	81,589 (100%)	45,148 (100%)	62,349 (100%)

Sources: IRS Business Master File, June 2014; NCCS Core File, 2012.

^a Because churches and other houses of worship are not required to register with the IRS or file Form 990 (though some choose to do so), this count dramatically understates the number of religion-related charitable organizations operating in the United States.

TABLE 6

Number and Percentage of 501(c)(3), 501(c)(4), 501(c)(5), and 501(c)(6) Organizations Filing Form 990 in 2012

Program category	501(c)3 ^a	501(c)4	501(c)5	501(c)6
Arts, culture, and humanities	40,166 (10.8%)	981 (3.4%)	529 (2.6%)	1,493 (4.1%)
Education	64,297 (17.2%)	701 (2.4%)	1,753 (8.5%)	1,289 (3.6%)
Environment and animals	17,611 (4.7%)	1,042 (3.6%)	300 (1.5%)	1,066 (2.9%)
Health	45,124 (12.1%)	820 (2.8%)	226 (1.1%)	4,251 (11.7%)
Human services	126,573 (33.9%)	11,974 (41.4%)	16,155 (78.3%)	5,585 (15.4%)
International affairs	8,248 (2.2%)	99 (0.3%)	120 (0.6%)	298 (0.8%)
Mutual/membership and other	1,548 (0.4%)	468 (1.6%)	116 (0.6%)	967 (2.7%)
Public and societal benefit	44,188 (11.8%)	12,661 (43.8%)	1,387 (6.7%)	21,210 (58.5%)
Religion related ^b	24,549 (6.6%)	120 (0.4%)	7 (0.0%)	52 (0.1%)
Domestic total	372,304 (99.7%)	28,866 (99.9%)	20,593 (99.8%)	36,211 (99.9%)
Foreign organizations	1,054 (0.3%)	40 (0.1%)	31 (0.2%)	49 (0.1%)
Total	373,358 (100%)	28,906 (100%)	20,624 (100%)	36,260 (100%)

Sources: IRS Business Master File, June 2014; NCCS Core File, 2012.

^a Public charities only, excludes foundations.

^b Because churches and other houses of worship are not required to register with the IRS or file Form 990 (though some choose to do so), this count dramatically understates the number of religion-related charitable organizations operating in the United States.

Although the narrower definitional purposes of the (c)(5) and (c)(6) sectors would suggest organizations in those sectors are concentrated within a relatively small group of NTEE codes,²⁶ there is a comparable distribution of organizational types across all four subsectors, with a heavy concentration in the human services or public and societal benefit categories. However, (c)(5) and (c)(6) organizations cannot be conceptually divided into as many distinct subgroups as can (c)(4)'s, as reflected in table 2.

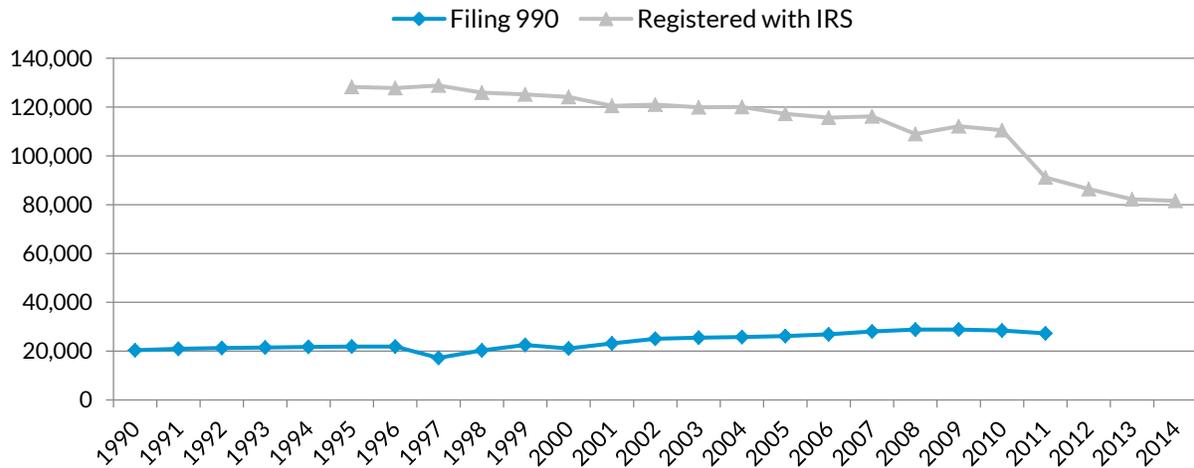
Recent Trends

Figure 1 shows the number of organizations filing Form 990 grew slowly but steadily through 2007 before starting to fall rather consistently after that date.²⁷

The large drop in registered organizations in 2010 may reflect a shift in filing requirements for small organizations and a corresponding removal of defunct organizations from the IRS database. The average annual rate of growth during the 20-year period (1.0 percent) was relatively constant across program areas, with one notable exception: the number of environmental organizations more than doubled during the 20-year period (figure 2). The health, international, and religious categories had

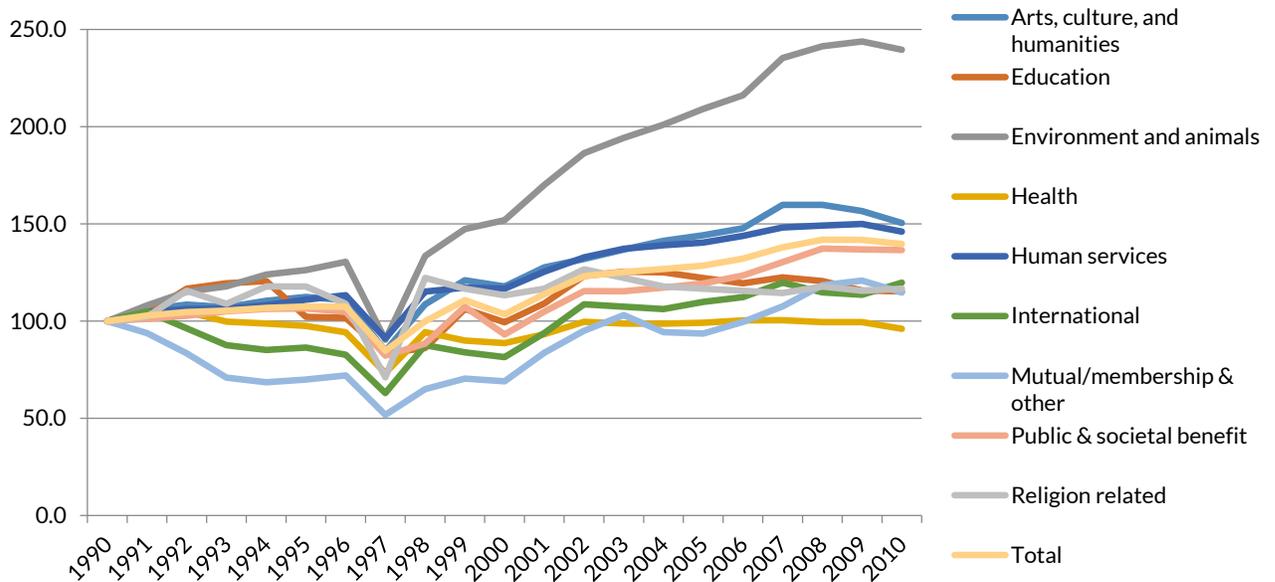
fewer organizations filing Form 990 in 2010 than in 1990, though the difference (-15.5 percent) is only substantial among health organizations. As suggested by Dietz, Brown, and Pollak (2014), it is possible the drop in the number of health organizations may reflect “strategic decisions by organizations to merge for business reasons or convert to for-profit entities.”

FIGURE 1
Number of 501(c)(4) Organizations, 1990–2014



Sources: IRS Business Master File, June 2014; NCCS Core File, 2012.

FIGURE 2
Cumulative Growth Rate in 501(c)(4) Organizations by Category, 1990–2010



Source: NCCS Core Trend File, accessed August 2014
 Note: Indexed at 1990 = 100.

Trends in 501(c)(4) Formation

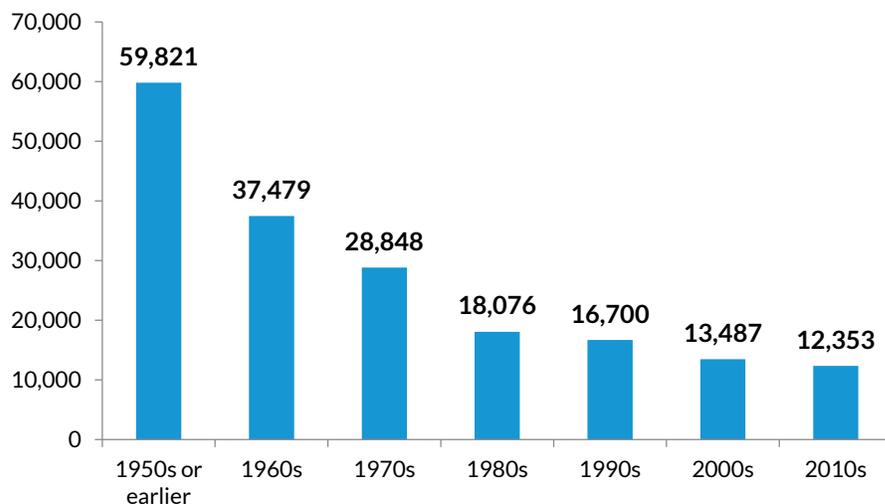
As figure 3 shows, more than half of registered 501(c)(4) organizations were formed before 1970.²⁸

All creation dates before the 1950s are consolidated in the far left bar in figure 3 because the listed IRS ruling dates are not reliable due to the massive regulatory changes of the mid-1950s. We know that more than 5 percent of existing organizations were founded before 1900, when virtually none of the modern regulatory structures were in place.²⁹ A spike in the formation of new organizations occurred during the 1960s, but that rate has been gradually yet consistently declining ever since.

Organizational formation since 2000 has been relatively stable from year to year, with three notable exceptions in 2006, 2010, and 2014, but the most recent years show a clear upward trend (figure 4).

FIGURE 3

Number of New 501(c)(4) Organizations by Decade, 1950–2010

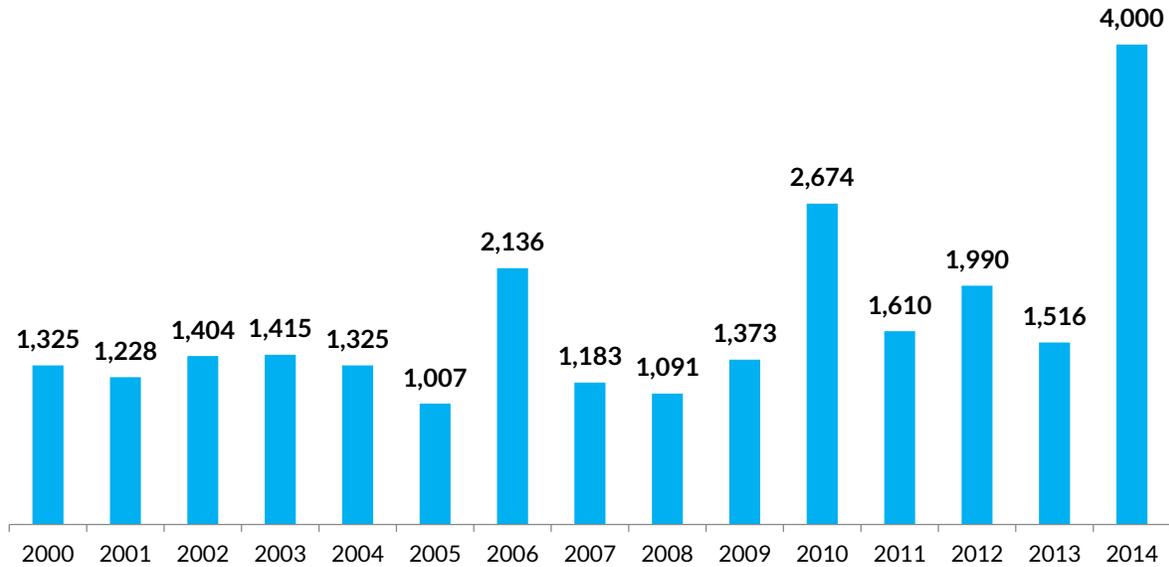


Source: NCCS NTEE Master File.

Note: Current decade data include organizations registered with the IRS as of December 2014.

FIGURE 4

Number of New 501(c)(4) Organizations, Annually since 2000



Source: NCCS NTEE Master File.

The spike in 2010 and the modest sustained increase from 2011 through 2013 appear to support a belief that the *Citizens United v. FEC* decision by the US Supreme Court provided an opening for new political operations flowing through the subsector, but the reality is likely more complex. Although some organizations undoubtedly were formed for this reason and are well-documented, a closer look reveals the increase in the number of new organizations formed in 2010 is almost entirely attributable to a single organization, the American Association of University Women, which had 1,093 local chapters approved by the IRS in a group ruling.³⁰

The enormous jump in 2014, however, is a different story. The list of new organizations approved for tax-exempt status is unremarkable; it closely mirrors the social welfare universe as a whole. The distribution of organizational “births” over the year is relatively smooth, although the rate increases noticeably between May and September. No large outliers are evident when sorting by NTEE code, suggesting the increase is not driven by one or more very large group rulings. And finally, although the number of identified “other” organizations is noticeably higher (40.0 percent) than the overall number (30.4 percent) for the subsector, that difference is not nearly enough to suggest advocacy organizations are primarily responsible for the increase. Clearly, both the 2014 trend and the sustained rise in the number of organizational “births” in the preceding years warrant further research.

Identifying Advocacy and Political Organizations

As laid out in IRC Section 501(c)(4), the subsector is comprised primarily of social welfare organizations, civic leagues, and local associations of employees. That broad definitional scope of the (c)(4) universe means the subsector contains a wide breadth of organizational sizes and missions.

Because public debate tends to focus primarily on the advocacy and political activities of (c)(4) organizations, perhaps the most important distinction is whether a given organization is actively engaged in efforts to influence the direction of public policy. These efforts can take many forms: direct lobbying, grassroots organizing, voter registration and mobilization, and candidate-specific political activity. For purposes of simplicity, we will call the organizations engaged in any one or more of those activities “advocacy” organizations³¹ (Koulish and Post 2014).

As stated, some organizations not engaged in advocacy activities are categorized under IRC Section 501(c)(4) because they represent the interests of a clearly defined group of individuals, organizations, or groups of organizations, yet their primary purpose extends to the betterment of their community, encompassing benefits to civil society as a whole. These entities may interact with, or even stand in for, functions often considered the purview of the public sector. Examples include fire protection, economic development, and low-income housing. Alternatively, like the local kennel club or a long-established fan club of the Baltimore Orioles baseball team, they may have nothing to do with the public sector, and their primary purpose has nothing to do with actively exerting influence over governmental decisions or policies.

Thus, for analytical purposes we divide the social welfare subsector into two major conceptual categories: associations and advocacy organizations. Even though the lines between the two groups can be fuzzy at times, we can draw some broad conclusions about the aggregate size and key characteristics of each.

Analysis reveals most of the advocacy universe falls within the “other” category, as shown in table 2. An examination of the most common NTEE categories in that category, as shown in table 7, suggests these 8,790 organizations are diverse in classification and thus primary functions.

TABLE 7

“Other” 501(c)(4) Organizations by Major National Taxonomy of Exempt Entities Category

Program category	Number of organizations filing Form 990	Revenue
S – Community improvement and capacity building	1,148	\$1,242,073,701
A – Arts, culture, and humanities	974	\$206,987,114
W – Public and societal benefit	781	\$2,921,190,022
B – Education	701	\$445,599,490
R – Civil rights, social action, and advocacy	611	\$2,118,107,138
C – Environment	610	\$403,914,197
P – Human services	568	\$604,634,239
I – Crime and legal related	471	\$171,130,381
D – Animal related	432	\$127,744,279
L – Housing and shelter	315	\$209,615,153
N – Recreation and sports	292	\$53,842,663
J – Employment	263	\$173,755,710
All other organizations	1,624	\$2,102,311,754
Total	8,790	\$10,780,905,841

Source: NCCS Core File, 2012.

Only one of these major NTEE categories can be safely categorized as advocacy-related—the one with “advocacy” in its name (R – Civil Rights, Social Action, and Advocacy). The others contain a mix of advocacy organizations and associations. Therefore, a more sophisticated approach to classification is needed.

Screening for 501(c)(4) Advocacy Organizations: Toward a Refined Methodology

The advocacy screen employed in this report was developed in collaboration with Margaret Post, a visiting scholar at the Nelson A. Rockefeller Center for Public Policy at Dartmouth College, as part of a distinct but related research project (Koulish and Post 2014).³² The screen is primarily designed to provide as close an approximation of the 501(c)(4) advocacy and political universe as possible while presenting a coherent and replicable methodological framework. An ideal methodology to estimate the number of social welfare advocacy organizations should meet the functional needs of interested

parties, most notably the academic and regulatory communities. It must be valid and reliable, should rely on publicly available information, and ideally should be replicable without additional information.

It may be tempting to single out the most obvious and publicly visible advocacy organizations, such as Citizens United or the National Association for the Advancement of Colored People, and categorize them individually. But because it is wildly unrealistic to expect an evaluator to be familiar with every 501(c)(4) organization, an effective and comprehensive screen must avoid cherry-picking individual organizations for inclusion or exclusion.³³ In addition, the need for consistency over time bespeaks a need to reject screens based on political ideology. Thus, it is best to avoid clear partisan or ideological identifiers such as “liberal,” “progressive,” “change,” “conservative,” “tea party,” “Democratic,” or “Republican,” as well as ideologically loaded terms such as “patriot,” “freedom,” “equality,” or “fairness.” As we will see, the former constraint is more difficult to avoid than the latter.

Limitations and Validation

With perfect information available, a consistently applied methodology could yield a precise advocacy universe with certainty. An ideal screen would yield zero false positives (organizations mistakenly captured as advocacy oriented) and omit zero organizations whose primary purpose can reasonably be considered as influencing public policy. However, various factors complicate our ability to gather the needed information:

- **Diverse organizational missions.** Like their charitable counterparts, many social welfare organizations conduct a variety of programs and functions. Some organizations with complex missions can be exceedingly difficult to categorize based on a primary purpose, and many such organizations engage in substantial advocacy as a secondary purpose. For example, AARP, one of the most powerful constituency-based organizations in the nation, spent some \$241.3 million on direct lobbying during the past 17 years.³⁴ However, because its overall spending was more than five times that amount in 2012 alone, AARP’s categorization depends on the specific methodology by which the amount or share of advocacy activity is used to distinguish advocacy organizations from associations. An estimate of advocacy organizations should clearly define a methodology for classifying such organizations and consistently assess organizations by using that methodology.
- **Lack of reliable screening questions in Form 990.** Although some parts of Form 990 attempt to identify lobbying and political organizations, most notably Schedule C and the corresponding

questions in Part IV, their functional usefulness beyond compliance with IRS regulations is limited. The blurry definition of political campaigning activity, combined with the separate consideration of related organizations (PACs and 527s), allows almost any action-oriented (c)(4) with an effective lawyer to avoid disclosing such activities on its Form 990. The National Rifle Association, for example, reports no political activity in FY 2012, even though a leading public database of independent expenditures reports \$1.19 million spent by the National Rifle Association and its related organizations on federal elections during the two-year cycle ending in November 2012.³⁵ Furthermore, the lobbying-related sections of Schedule C do not apply to (c)(4) organizations unless they collect membership dues. Therefore, the existing content of Form 990 is insufficient to reliably determine the full universe of social welfare advocacy organizations.

- **Imprecise NTEE codes.** Although the accuracy of NTEE codes has improved dramatically over the years, it remains imperfect for capturing the primary purpose of some organizations with complex organizational structures, unclear or deliberately misleading names, or changes in mission over time. Furthermore, advocacy itself constitutes a variety of activities, not all of which are easy to delineate from other organizational activities without detailed programmatic information. The “R – Civil Rights, Social Action, and Advocacy” and “01 – Alliances and Advocacy” codes capture some types of advocacy and electoral activities, particularly more structured lobbying activities and public education, as an organization’s primary purpose. But other activities like voter mobilization and grassroots advocacy by service-based organizations are more susceptible to slipping through the cracks of a perfunctory approach.
- **Confusing official organization names.** Most organizations choose a name that clearly portrays their primary purpose. However, some do not. A search for advocacy organizations based on common keywords would almost certainly omit organizations with legal names such as “TC4 TR” or “SG C4 TR,” yet these organizations arguably embody the types of political “dark money” activity in the (c)(4) subsector that has skyrocketed in recent years.³⁶
- **Exclusion of small or nonfiling organizations.** Organizations with less than \$50,000 in annual revenue may choose to file Form 990-N, also known as an e-Postcard. However, because that form lacks financial information, it is exceedingly difficult to capture the activities and purposes of 990-N filers based on NCCS data. Furthermore, organizations with less than \$200,000 in revenues and less than \$500,000 in total assets may file Form 990-EZ, which omits many descriptive questions found on the longer Form 990 that could be useful in determining advocacy and/or political activity. Given that an overwhelming majority of (c)(4) organizations

registered with the IRS file Forms 990-EZ or 990-N, it follows that only limited data are available for most 501(c)(4) groups for analysis.

Due to these impediments to categorizing each organization with a high degree of confidence, obtaining an exact number of (c)(4) advocacy organizations is extremely difficult. Nevertheless, we attempt to obtain the best possible replicable approximation by using available information. Starting with and building on the methods used by Boris and Maronick (2012),³⁷ the methodology used in this analysis primarily combines NTEE classifications with keyword searches of organization names. In addition, two indicators are incorporated from Form 990 information³⁸ that directly signify lobbying and political activity. The full list of included terms and the number of organizations they capture is included in appendix A.

Upon developing and evaluating search parameters for inclusion, it became clear that some degree of detailed review would be necessary to satisfy concerns about accuracy. A validation process, developed as part of Koulish and Post's (2014) analysis,³⁹ first collected all 1,768 (c)(4) organizations in the 2012 NCCS Core File captured by the search terms and NTEE codes used by Jeremy Koulish in an earlier and less sophisticated advocacy screen.⁴⁰ We then created an independent list of organizations captured by each search term; examined each organization's name, location, size, and program description, when available, for face validity; and categorized the organization as "yes," "maybe," or "no." Most of the lists contained more than 75 percent of organizations in the "yes" category and less than 15 percent in the "no" category, and the search parameters corresponding to those lists were retained in the screen.⁴¹

As a corollary to the validation process for originally included terms, we examined a handful of newly considered keywords and NTEE codes determined by the author to potentially contain high concentrations of advocacy organizations. Using a similar process to that used in validating the original parameters, we found the major NTEE category of "V - Social Science" organizations and the "E42" three-digit category that mostly contains Planned Parenthood organizations can also be considered as advocacy categories in the specific context of the 501(c)(4) subsector. Using this process also led to the inclusion of four new keywords, including the ubiquitous and noteworthy term *for*.

Methodology and Results

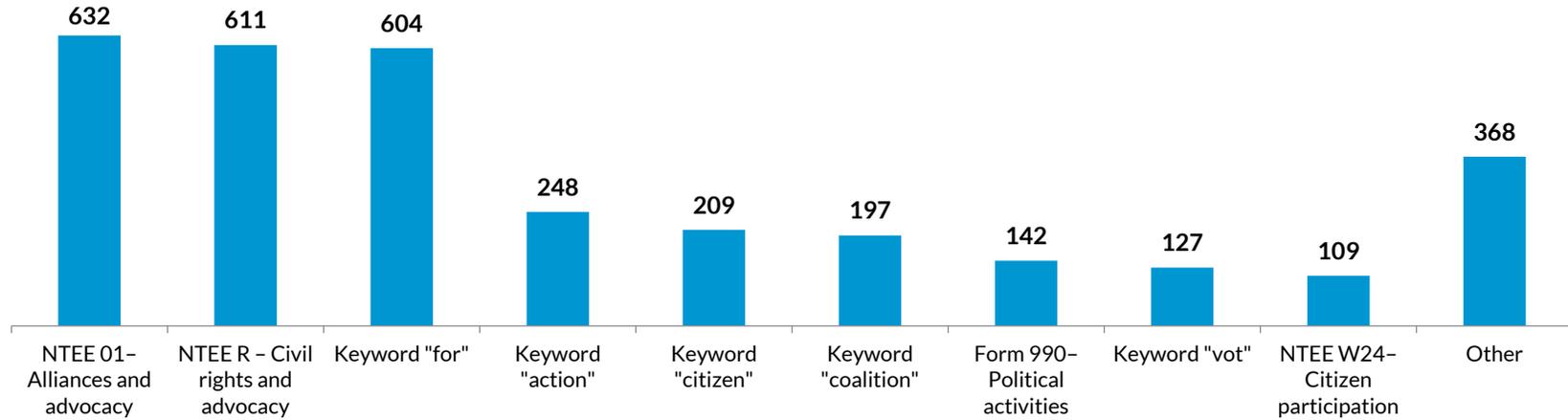
The final screen includes 9 keywords examining organizational names, 2 major NTEE categories, and 10 subcategories. We also include two further screening mechanisms from the new NCCS Full Core File

that indicate either political activity or more than 20 percent of total expenditures paid to external entities for lobbying purposes. A search including all these terms yields 2,168 distinct organizations.⁴²

The number of advocacy organizations identified by keywords is shown in figure 5; figure 6 focuses on advocacy organizations labeled as “other”; and figure 7 shows advocacy organizations identified by NTEE categories. Some of the 2,168 unique organizations indicated in figures 5 and 6 are captured by more than one term. As a result, the sum of the terms in these two figures is greater than 2,168. Table 8 and figure 8 show the number of all identified 501(c)(4) organizations and 501(c)(4) advocacy organizations by size and revenues, and figure 9 shows 501(c)(4) advocacy organizations by state.

FIGURE 5

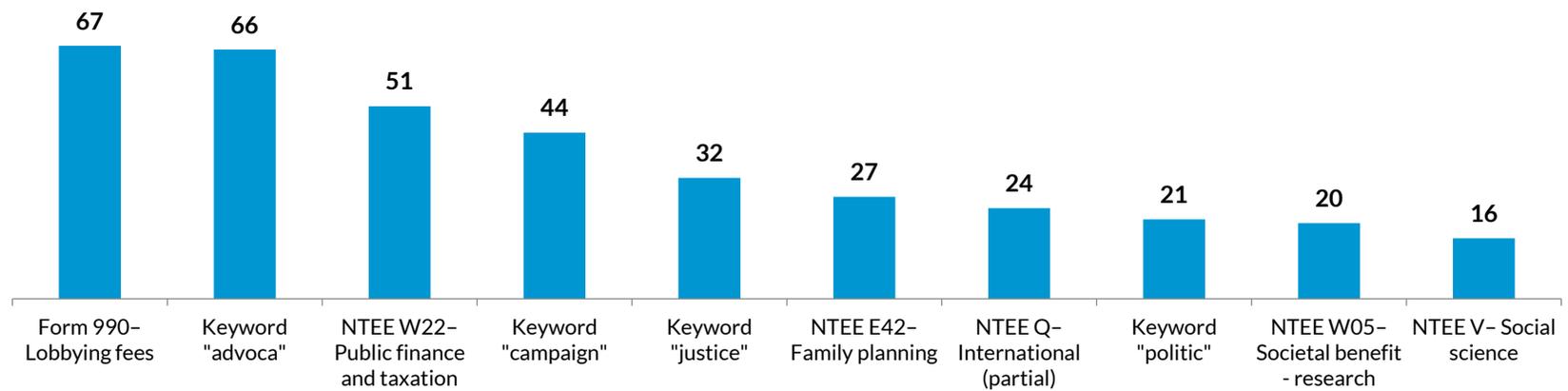
Number of Identified 501(c)(4) Advocacy Organizations, by Search Term



Source: NCCS Core File, 2012.

FIGURE 6

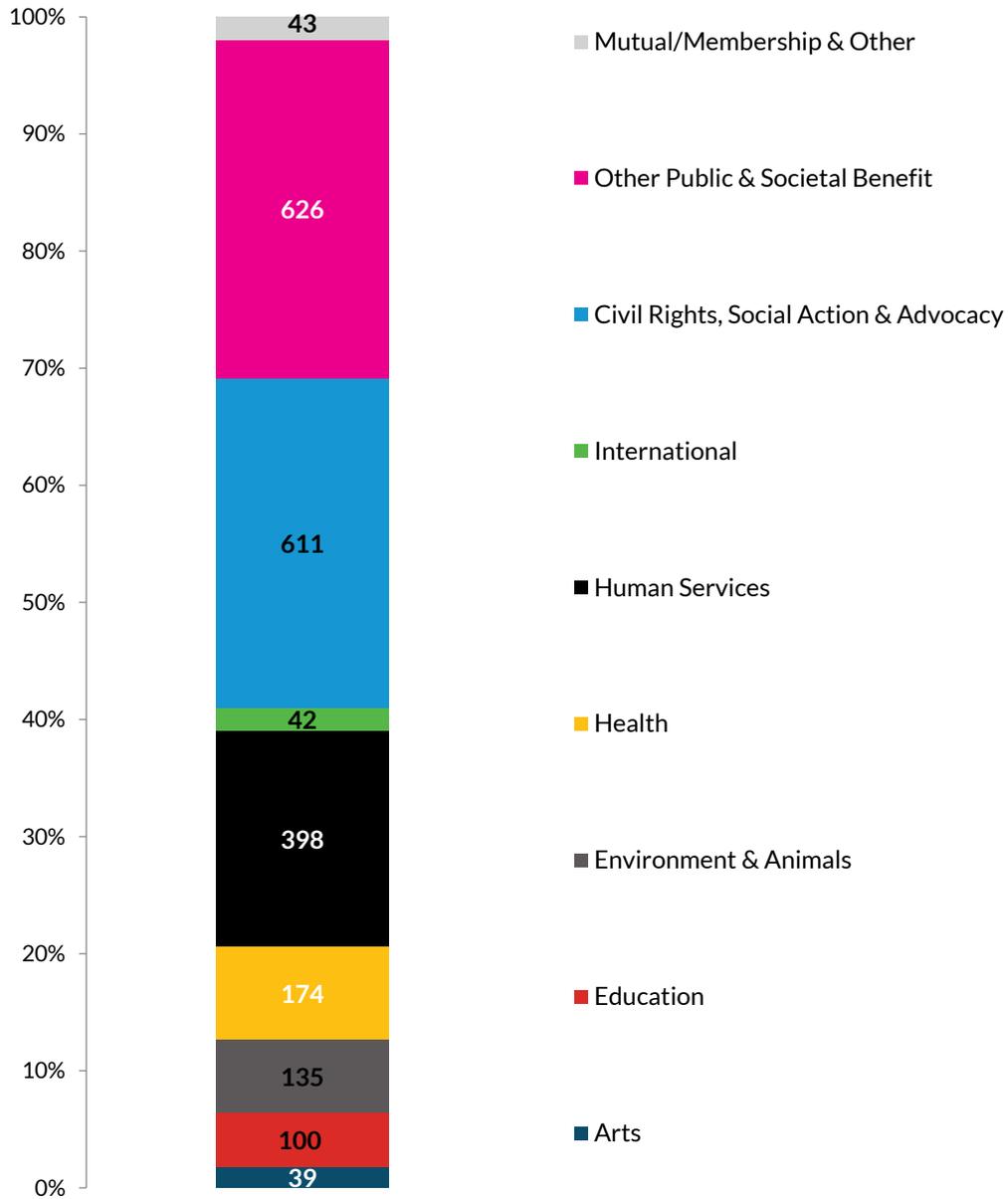
Number of Identified 501(c)(4) Advocacy Organizations, by Search Term, "Other" Detail



Source: NCCS Core File, 2012.

FIGURE 7

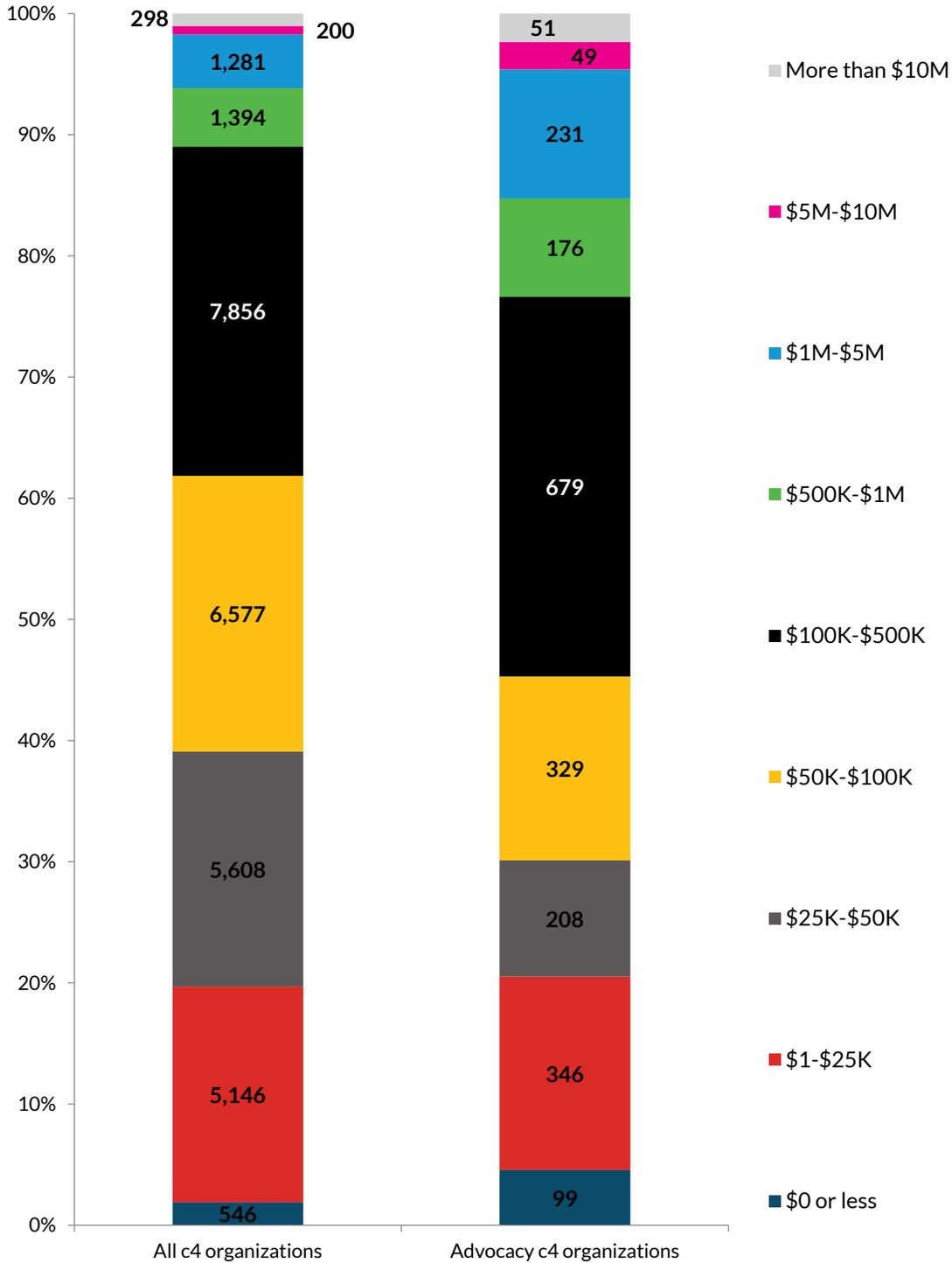
Number of Identified 501(c)(4) Advocacy Organizations, by Major National Taxonomy of Exempt Entities Category



Source: NCCS Core File, 2012.

FIGURE 8

Number of All 501(c)(4) Organizations versus Advocacy Organizations, by Size and Revenues



Source: NCCS Core File, 2012.
 Note: M = million; K = thousand.

TABLE 8

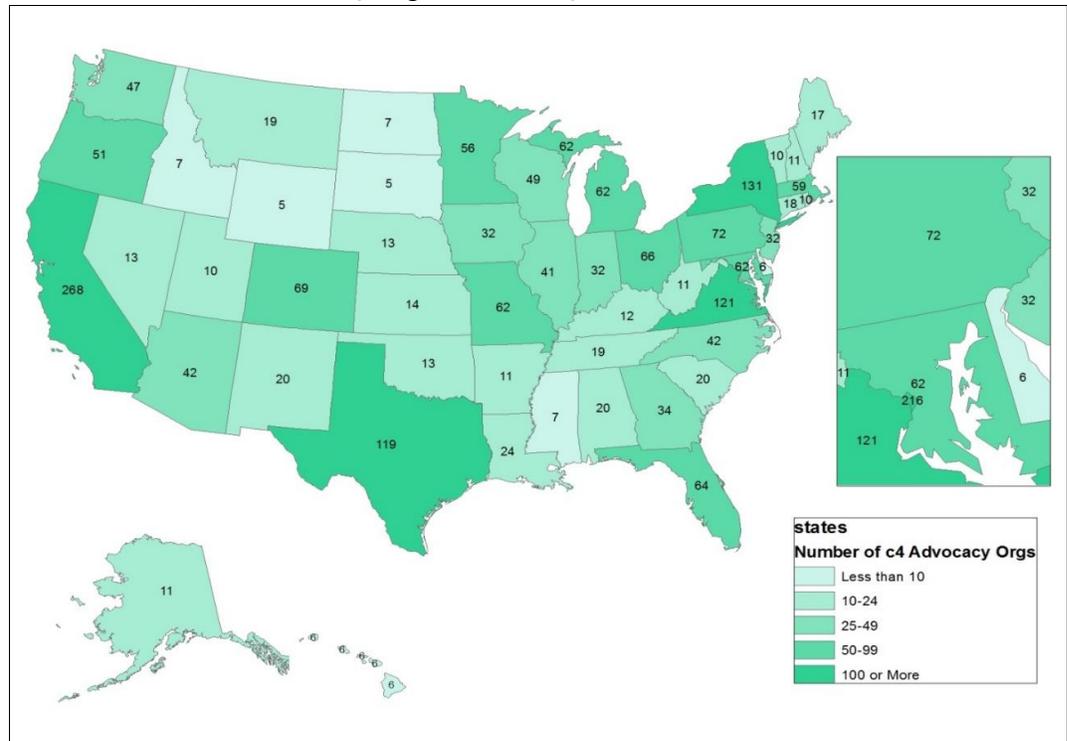
Number of All 501(c)(4) Organizations versus Advocacy Organizations, by Size and Revenues

Revenue category	Total Number and Percentage of 501(c)(4) organizations	Number and Percentage of advocacy 501(c)(4) organizations
\$0 or less	546 (1.9%)	99 (4.6%)
\$1-\$25,000	5,146 (17.8%)	346 (16.0%)
\$25,001-\$50,000	5,608 (19.4%)	208 (9.6%)
\$50,001-\$100,000	6,577 (22.8%)	329 (15.2%)
\$100,001-\$500,000	7,856 (27.2%)	679 (31.3%)
\$500,001-\$1,000,000	1,394 (4.8%)	176 (8.1%)
\$1,000,001-\$5,000,000	1,281 (4.4%)	231 (10.7%)
\$5,000,001-\$10,000,000	200 (0.7%)	49 (2.3%)
\$10,000,001-\$100,000,000	205 (0.7%)	40 (1.8%)
\$100,000,001-\$1,000,000,000	68 (0.2%)	8 (0.4%)
More than \$1,000,000,000	25 (0.1%)	3 (0.1%)
Total	28,906 (100%)	2,168 (100%)

Source: NCCS Core File, 2012.

FIGURE 9

Number of 501(c)(4) Advocacy Organizations, by State



Source: NCCS Core File, 2012.

Because of the deliberate decision to construct a replicable method using a systematic process, rather than relying on ideologically loaded terms and cherry-picking individual organizations based on preexisting knowledge, some false positives and false negatives are inevitable. The validation process described above ensured all terms included in the final screen predominantly identified advocacy organizations.

Keywords with the greatest share of questionable or affirmative false positives are *citizen* and *for*. Examples of false positives have names like “Citizens Volunteer Fire Company 1,” “Fairlington Citizens Association,” “Ray Citizens Housing Center,” and “Missouri Foundation for Health.” Nonetheless, these two search terms are also notable in that they capture many highly visible, influential, and ideologically charged advocacy organizations not picked up by other terms, including Citizens United, Public Citizen, Americans for Prosperity, Americans for Tax Reform, the National Organization for Marriage, and the Club for Growth.

False negatives are much more difficult to identify, but our validation process identified a few prominent ones: American Israel Public Affairs Committee, J Street, Greenpeace, Patriot Majority, and a handful of new groups with “Tea Party” in the name. More comprehensive analysis is needed to better pinpoint the full scope of false negatives.

Conclusions

Given the popular conflation of IRC Section 501(c)(4) with political activity, it is understandable that normative opinions regarding the nature of tax-exempt political activity and legal guidelines for advocacy practitioners dominate the relevant literature, with little attention to objective, descriptive analysis. This report offers a starting point for filling in the gaps and identifying areas warranting more targeted research.

Yet in attempting to characterize the subsector, a pervasive theme emerges: a comprehensive characterization distinguishing 501(c)(4) from other organizational types is elusive, at best. Even the IRS acknowledges the catchall nature of the subsector, admitting it has historically used the (c)(4) status to classify organizations deserving tax-exempt status but not naturally fitting elsewhere (Reilly, Hull, and Braig Allen 2003). The results are predictably confusing. As the title of this report suggests, a 501(c)(4) summer camp and a 501(c)(4) campaign fund have little in common beyond their IRS classifications. Yet each of these organizations represents a type of (c)(4) that can be characterized more accurately as an association or advocacy organization, and tangible lessons emerge once we make that distinction.

Lessons

Two years after the IRS 501(c)(4) screening controversy, calls for dramatic changes to the allowable activities of (c)(4) organizations have ebbed to some extent. Nevertheless, the appetite for reform remains strong. In April 2015, Rep. Randy Neugebauer (R-TX) and Sen. Ted Cruz (R-TX) introduced companion legislation designed to formalize the generally accepted standard of allowable (c)(4) political activity (50 percent of expenses or less) into law.⁴³ Meanwhile, the IRS is preparing a new set of regulatory proposals.⁴⁴ The structural issues behind the 2013 controversy—unclear legal boundaries, lax enforcement of outside political spending, and the avenue created by the *Citizens United* decision for wealthy interests to influence elections anonymously—remain as salient as ever, and the 2016 presidential election cycle is only likely to exacerbate the calls for legislative and/or regulatory solutions. Colinvax (2014) summarizes the considerations regarding reform from a tax policy perspective, and the Bright Lines Project is a valuable resource for concerned observers seeking to learn more about potential solutions.⁴⁵

For everyday observers, even those who follow government and elections closely, understanding of the 501(c)(4) universe is limited. By far its most notable appearance in the public discourse occurred in

the context of a highly politicized debate over unregulated special-interest money in politics, a deeply unpopular phenomenon,⁴⁶ and the IRS, a deeply unpopular agency in some quarters. Thus, it is no surprise that many Americans equate 501(c)(4) entities with a few dozen infamous dark-money political operations, to the detriment of the tens of thousands of organizations composing the remainder of the subsector.

As discussed, the typical social welfare organization conducts uncontroversial, legitimate tax-exempt activity and represents the shared interests of groups ranging from veterans in a county, to tenants in a housing complex, to parents in a city who want their children to play soccer on a safe and clean field, to women across the country demanding equal pay for equal work. These activities are beneficial to society rather than to individual shareholders or executives,⁴⁷ and the organizations that conduct these activities are generally very small in size and local in scope.

The rules governing 501(c)(4) activities are being abused by a small number of organizations, but the loopholes should not be conflated with the rules themselves. As the 2016 election season ramps up, outside attack ads by (c)(4) organizations may once again inspire a public backlash against subsector organizations. In that scenario, media outlets and opinion leaders would better serve the public interest by pursuing a more precise and informed approach, calling out individual organizations taking advantage of regulatory loopholes and explaining the loopholes in greater detail, while shining a spotlight on some of the many 501(c)(4) social welfare organizations doing valuable work across the nation and the world.

Opportunities for Further Research

This report is an overview rather than an exhaustive examination of the 501(c)(4) subsector. Nevertheless, it reveals knowledge gaps where further research could contribute substantially to our understanding of organizational scopes, structures, and activities.

First, the rise in the number of new organizations since 2010, especially the explosion in 2014, warrants further exploration. That large increase in 2014 is mirrored by a sizable jump in the total number of (c)(4) organizations listed in the IRS *Data Book*: from 91,056 in 2013 to 148,585 in 2014,⁴⁸ representing an increase of greater than 50 percent. However, it is unclear whether that change reflects new organizations, and it is possible the 2014 number is simply an error. Regardless, the trend clearly deserves a closer look to determine possible causes and implications.

Other research opportunities lie in the advocacy sphere, where much of the literature focuses on single-issue areas, individual cities and states, or large and well-known organizations. Less is known about smaller, local-level organizations that are individually limited in capacity but collectively have a significant effect on both the public debate and policy outcomes at all levels of government.

The research by Koulish and Post (2014), which explores a random sample of 100 advocacy organizations with expenses less than \$2 million, is a valuable template for further exploration. Because this sample of 100 is less than 5 percent of the identified advocacy organizations and the array of organization types within the advocacy universe is so broad, a full census would better capture the contours of that diversity and allow for robust cross-tabulations by region, advocacy activity, size, funding mix, and organizational governance structure.

Furthermore, many advocacy-oriented (c)(4) organizations have complex relationships with charitable organizations, business leagues, Section 527 political organizations, or even for-profit business entities. These complex organizations look—and are—fundamentally different from interest groups conducting their activities entirely through social welfare organizations. In theory, these complex organizations should focus their (c)(4) activities almost exclusively on advocacy and political activity to advance the mission of a related public charity and would be much less likely to engage in direct political spending if also related to a PAC. However, we lack an empirical study, conducted post-*Citizens United*, to assess actual practice. Election-related expenditures captured by the Federal Elections Commission offer a complementary dataset toward that end.

Finally, the advocacy screen employed in this report warrants further validation and refinement through investigation of identified advocacy and nonadvocacy organizations. Interviews with organizational staff and stakeholders to obtain more-detailed information on activities and structures would be beneficial. Although secondary data may be sufficient to ascertain the programmatic activities of most organizations, a subset may not be eager to publicly trumpet activities that risk being seen by some types of funders as too controversial. Furthermore, internal organizational governance and the reasoning behind key programmatic decisions often cannot be obtained from secondary data sources.

A more detailed inquiry into the social welfare universe's contours and contributions to civil society will enable us to better appreciate and communicate the diversity of Section 501(c)(4) regulations and organizations. In turn, we may be able to understand how to better craft regulations that close loopholes and crack down on abuses while protecting and encouraging legitimate social welfare activities.

Appendix A. Number of Advocacy Organizations, by Search Term

- **NTEE Codes**

- » 01 – Alliances and Advocacy (632 organizations)
- » R – Civil Rights, Social Action, and Advocacy (611 organizations)
- » W24 – Citizen Participation (109 organizations)
- » W22 – Public Finance, Taxation, and Monetary Policy (51 organizations)
- » E42 – Family Planning (27 organizations)
- » W05 – Public and Societal Benefit Research Institutes and Public Policy Analysis (20 organizations)
- » V – Social Science (16 organizations)
- » Q41 – Arms Control and Peace (12 organizations)
- » Q43 – National Security (9 organizations)
- » Q05 – International, Foreign Affairs, and National Security Research Institutes and Public Policy Analysis (1 organization)
- » Q51 – International Economic and Trade Policy (1 organization)
- » Q71 – International Migration and Refugee Issues (1 organization)

- **Keywords**

- » *For* (604 organizations)
- » *Action* (248 organizations)
- » *Citizen, excluding senior citizen* (209 organizations)
- » *Coalition* (197 organizations)
- » *Vote, voter, or voting* (127 organizations)
- » *Advocate or advocacy* (66 organizations)
- » *Campaign* (44 organizations)
- » *Justice* (32 organizations)
- » *Politics or political* (21 organizations)

- **Form 990 Information⁴⁹**

- » Political activities – “yes” on Part IV, question 3 (142 organizations)

- » Excessive lobbying – lobbying fees (Part IX, question 11d) of at least 20 percent of total expenses (Part IX, question 25) (67 organizations)

Notes

1. 501(c)(3) contains public charities and private foundations, which together constitute the vast majority of the charitable sector (IRS 2013a).
2. Indeed, Citizens United itself is a (c)(4) organization.
3. Center for Responsive Politics, Election Spending Database. https://www.opensecrets.org/outsidespending/nonprof_summ.php. Accessed June 15, 2014.
4. This report does not directly consider reform proposals, but the data presented here can help inform efforts to craft a new regulatory regime. Catholic University scholar Roger Colinvaux has summarized the considerations regarding reform from a tax policy perspective (Colinvaux 2014).
5. Internal Revenue Service. 2014. "IRS Update on the Proposed New Regulation on 501(c)(4) Organizations." <http://www.irs.gov/uac/Newsroom/IRS-Update-on-the-Proposed-New-Regulation-on-501%28c%29%284%29-Organizations>. Accessed January 15, 2015.
6. *Advocacy* is rarely used in the relevant sections of the legal code, and because of its somewhat subjective meaning it can serve as a suitable catchall term for the purposes of this analysis.
7. Jeremy Koulish, "There Are a Lot of 501(c)(4) Nonprofit Organizations. Most Are Not Political." *MetroTrends*, May 24, 2013, <http://blog.metrotrends.org/2013/05/lot-501c4-nonprofit-organizations-political/>.
8. This finding does not necessarily mean the 17 remaining organizations did not engage in any advocacy. Rather, none of the five activities as defined by Koulish and Post (2014) (grassroots advocacy, lobbying, candidate/ballot initiative support, voter registration, and voter education/mobilization) were evident based on information presented by the organizations on their public websites. See reference 55 in Koulish and Post (2014) for more detail.
9. This framework was established in 1954, and that original construction remains largely intact to date. The exact IRC Section 501(c)(4) language (which is very similar to the language used above) can be found at "26 U.S. Code § 501 – Exemption from Tax on Corporations, Certain Trusts, etc.," Legal Information Institute, accessed December 16, 2015, <http://www.law.cornell.edu/uscode/text/26/501>.
10. Ellen Aprill, "Create a New Exemption Category to Distinguish between Lobbying and Electioneering," *New York Times*, May 15, 2013, <http://www.nytimes.com/roomfordebate/2013/05/15/does-the-irs-scandal-prove-that-501c4s-should-be-eliminated/create-a-new-exemption-category-to-distinguish-between-lobbying-and-electioneering>.
11. Tariff Act of 1913, chapter 16, § II (G)(a), 38 Stat. 172.
12. Legally speaking, issue advocacy is considered neither lobbying nor electioneering, although some ostensibly issue-advocacy activities by (c)(4) organizations would be better characterized (and are characterized by the IRS) as electioneering in disguise.
13. IRS Rev. Rul. 55-269, 1955-1 C.B. 2, Sec. 170. <http://www.charitableplanning.com/document/668959>.
14. Jacob Gershman, "The History of the 501(c)(4) Exemption," Law Blog, *Wall Street Journal*, November 26, 2013, <http://blogs.wsj.com/law/2013/11/26/the-history-of-the-501c4-exemption/>.
15. *Ibid.*
16. 501(c)(4) organizations register with the IRS by filing Form 1024 to obtain official recognition of tax-exempt status. See <http://nccs.urban.org/database/overview.cfm> for a more detailed explanation of the Business Master File.
17. Organizations with \$200,000 or less in revenue and \$500,000 or less in assets may choose to file Form 990-EZ in place of the full Form 990. Those organizations are considered as filing Form 990 for this purpose.
18. The NTEE system to classify nonprofit organizations was originally developed in the 1980s by the NCCS and was adopted by the IRS in the mid-1990s. <http://nccs.urban.org/classification/NTEE.cfm>. Accessed January 23, 2015.

19. NCCS Core File, 2012.
20. Jeremy Koulish, "There Are a Lot of 501(c)(4) Nonprofit Organizations. Most Are Not Political." *MetroTrends*, May 24, 2013, <http://blog.metrotrends.org/2013/05/lot-501c4-nonprofit-organizations-political/>.
21. Ibid.
22. The National Football League, another highly visible entity governing a sports league whose nonprofit status is the subject of recent controversy, was a 501(c)(6) organization, but recently announced it will file as a taxable entity. <http://www.npr.org/blogs/thetwo-way/2015/04/28/402848501/nfl-to-end-its-tax-exempt-status-to-eliminate-distraction>.
23. Activity codes are three-digit codes submitted by organizations to the IRS along with their initial applications for tax exemption. In recent years, these activity codes have decreased in relevance as more accurate classification systems such as NTEE codes have emerged.
24. Between 1998 and 2014, AARP spent \$236 million on lobbying, eighth among all entities. "Top Spenders," OpenSecrets.org, accessed December 16, 2015, <https://www.opensecrets.org/lobby/top.php?showYear=a&indexType=s>.
25. In fact, organizations serving war veterans and volunteer fire departments are unique among (c)(4) organizations in that their donations are tax deductible if certain conditions are met. "Donations to Section 501(c)(4) Organizations," Internal Revenue Service, last reviewed December 15, 2015, <http://www.irs.gov/Charities-&-Non-Profits/Other-Non-Profits/Donations-to-Section-501%28c%29%284%29-Organizations>.
26. 501(c)5 organizations are predominantly categorized within the K28 (Farm Bureaus) and J40 (Labor Unions) codes, and 501(c)(6) organizations are largely grouped in the S3 (Economic Development) and S4 (Business and Industry) categories. 501(c)(4) organizations are much more evenly distributed.
27. The notable exception, a steep drop in 1997, is potentially the result of a quirk in the data rather than a change in the number of organizations in existence.
28. Not all these organizations still exist, but they all existed recently enough to have been assigned an NTEE code.
29. According to the IRS data, very few new organizations were established during the early 20th century, but the 1940s saw a huge spike in activity. In fact, more existing (c)(4) organizations were created in that decade than in any since.
30. Author's analysis and calculations based on NCCS NTEE Master File data.
31. This definition was informed by *Nonprofits and Advocacy: Engaging Community and Government in an Era of Retrenchment*, edited by Robert J. Pekkanen, Steven Rathgeb Smith, and Yutaka Tsujinaka (2014), and was used to guide the research presented in this section.
32. A related research paper is forthcoming.
33. In addition, evaluating each organization individually is an arduous and time-intensive process, rendering such a process functionally infeasible.
34. "Top Spenders," OpenSecrets.org, accessed December 16, 2015, <https://www.opensecrets.org/lobby/top.php?showYear=a&indexType=s>.
35. "National Rifle Assn: Total Contributions," OpenSecrets.org, accessed December 18, 2015, <https://www.opensecrets.org/orgs/totals.php?id=D000000082&type=P&cycle=2012>.
36. Both these organizations serve as funding sources for conservative advocacy and related electoral activities. For more information, see Robert Maguire and Viveca Novak, "Koch Group's IRS Report Unlocks a Few Mysteries," *OpenSecrets* blog, September 18, 2015, <http://www.opensecrets.org/news/2013/09/koch-groups-irs-report-unlocks-mysteries-details-giant-trade-group/>.
37. See also Jeremy Koulish, "There Are a Lot of 501(c)(4) Nonprofit Organizations. Most Are Not Political." *MetroTrends*, May 24, 2013, <http://blog.metrotrends.org/2013/05/lot-501c4-nonprofit-organizations-political/>.

38. The two indicators are lobbying fees (Part IX, question 11d) of at least 20 percent of total expenses; and “yes” on Part IV, question 3, indicating direct political activity strictly banned for 501(c)(3)’s.
39. The results of this validation process were first presented at the 2014 ARNOVA conference in Denver, CO. See slides 16–19 in Koulish and Post (2014).
40. Jeremy Koulish, “There Are a Lot of 501(c)(4) Nonprofit Organizations. Most Are Not Political.” *MetroTrends*, May 24, 2013, <http://blog.metrotrends.org/2013/05/lot-501c4-nonprofit-organizations-political/>.
41. The process also exposed one 3-digit NTEE code—W20 (Government and Public Administration)—and a handful of keywords like *change*, *activist*, and *litigation* as unsuitable for the advocacy screen, either due to a large percentage of nonadvocacy organizations or a complete absence of social welfare organizations with such words in the name of the organization.
42. Organizations are defined by a distinct tax ID number or employer identification number. However, some of the 2,168 organizations are related to one another, either through shared leadership or umbrella-affiliate relationships.
43. Matt Dotray, “Neugebauer Introduces Legislation to Stop ‘Political Targeting’ by IRS,” *Lubbock Avalanche-Journal*, April 15, 2015, <http://lubbockonline.com/local-news/2015-04-15/neugebauer-introduces-legislation-stop-political-targeting-irs>.
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45. Bright Lines Project, accessed December 16, 2015, <http://www.brightlinesproject.org/>.
46. Karin Kamp, “Majority of Americans Want Money Out of Politics,” *BillMoyers.com*, November 21, 2014, <http://billmoyers.com/2014/11/21/majority-americans-want-money-politics/>.
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48. Author’s comparison between IRS Data Book, 2014, Table 25 (p.58) and IRS Data Book, 2013, Table 25 (p.56).
49. These indicators are unavailable for Form 990-EZ filers.

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