Nonprofits

Summary
Structure of the Nonprofit Sector in the U.S.
Grants & Contracts
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Summary

Subsidyscope presents government data and summary statistics on federal programs and tax policies that provide subsidies to nonprofit organizations. It is challenging to assemble and present spending and subsidy data regarding the nonprofit sector because the federal government does not identify nonprofits as a distinct budget category. Further, federal budget data are of uncertain quality; specifically, the data available through USAspending.gov[1] are incomplete because certain program information is missing for a number of records, making it difficult to discern which specific agencies and programs may be awarding funds to nonprofits.

Nonetheless, while Subsidyscope's analysis found many data quality issues with grant, contract and risk transfer information, we discovered that the nonprofit sector is overwhelmingly subsidized through indirect means, namely through tax subsidies. Subsidyscope determined that the government data on tax subsidies is generally of higher quality than data on grants, contracts and risk transfers because tax expenditures are estimated by one agency, the Treasury Department, while the data on grants, contracts and risk transfers originate from many different agencies that differ in interpretation of, and compliance with, reporting requirements. Thus, the highest quality data coincide with the largest source of subsidies to the nonprofit sector.

One of the oldest sectors in our economy, nonprofits have had a constantly evolving relationship with the federal government—from their roots in colonial voluntary organizations to the robust sector of nearly 1.8 million nonprofits that exists today in the United States.[2] As the Urban Institute reports, in 2007:

- the nonprofit sector accounted for 5 percent of the United States' gross domestic product;
- the sector owns close to 5 percent of private sector net worth; and
- it employs over 8 percent of the labor force (excluding volunteers).[3]

Federal Assistance to Nonprofits

Federal funding to tax-exempt groups continues to grow each year. A 2007 Government Accountability Office (GAO) report cites research estimating that federal support to nonprofits increased about 230 percent from fiscal year 1980 to fiscal year 2004 in real (inflation-adjusted) dollars.[4] The GAO also noted that current data on federal aid to nonprofits is of questionable quality due to frequent inaccuracies in reporting.

Subsidyscope looks at four different mechanisms the federal government uses to provide subsidies: tax expenditures (including tax deductions or credits), direct expenditures (including grants), contracts and risk transfers (including loans). Tax expenditures are by far the largest source of federal subsidies to nonprofits.

Tax Expenditures

Subsidyscope estimates that the federal government lost approximately $50 billion in forgone tax revenue in fiscal year 2008 due to tax expenditures that specifically target activities involving nonprofits, though it is unclear how much of the value of these tax reductions actually reached the nonprofits they were meant to help.[5] The majority of this loss is due to the tax deduction allowed for charitable donations ($47 billion in fiscal year 2008), for which all of the funds, by definition, reached nonprofits. However, some amount of giving would have taken place whether or not a tax subsidy was available to donors and, therefore, we know that some portion of the subsidy benefited the individuals who gave to nonprofits. The amount of the subsidy that went to nonprofits is dependent on the extent to which the charitable deduction increased the amount of money that individuals donated.

Subsidyscope also provides information on other nonprofit-related tax expenditures, such as tax-exempt bonds that are typically issued by state and local governments to finance the construction of facilities used by 501(c)(3) organizations. Additionally, Subsidyscope has assembled a list of tax expenditures that may benefit nonprofits as well as other entities. See more on tax expenditures benefiting nonprofits here.

Risk Transfers

Subsidyscope summarizes available data on subsidies that nonprofits receive through federal loan and loan guarantee programs; however, a recent GAO analysis indicates that federal data on risk transfers are of particularly poor quality,[6] which are likely to understate subsidy costs.

Subsidyscope's examination of 2008 data found that at least $7 billion in loans through 12 federal direct loan programs, and $284 million in loan guarantees through four federal programs, went to nonprofits in fiscal year 2008—providing subsidies of at least $96 million and $18 million respectively.[7] Summary tables listing these programs are presented here.

Grants and Contracts

Subsidyscope analyzed the federal grants data (which are included in direct expenditures) that were marked as going to a nonprofit recipient or a higher education recipient. It is important to note that *not all grants contain a subsidy*, and if they do, the amount of the grant is not the amount of the subsidy; the subsidy could be much less than the actual grant amount. Based on the government's data, there are over 1,400 federal programs that provide grants to nonprofits. For instance, social services and research activities are often funded through such grants. Those grants made directly to nonprofits totaled $38 billion in fiscal year 2008, 8 percent of all federal grant spending.[8]

Additionally, the government contracts with nonprofits. Contracts, as opposed to grants, are used when the service or goods provided directly benefit the government or when the work is being performed to certain specifications under the government's supervision. Using USAspending.gov data from the Federal Procurement Data System (FPDS), Subsidyscope analyzed the largest nonprofit contractors and the extent of non-competed contracts that were awarded to nonprofit organizations. Similar to data on grants, these records identify the nonprofit recipients of the contracts. It is important to note that *not all non-competed contracts contain a subsidy*. Subsidyscope provides data on non-competed contracts simply because such contracts are more likely to contain a subsidy compared to contracts that are openly competed. However, it is impossible to estimate the amount of subsidy, if any, actually delivered to the contractors.

Based on an analysis of the contracts awarded to nonprofits, Subsidyscope found that approximately 52 percent ($10 billion) of those contracts were not competed for fiscal year 2008. Also, this analysis estimates that 73 percent ($13 billion) of all 2008 contracts to nonprofits (competed and non-competed) went to the top 100 recipients (based on the total dollar value of all contracts held) and 44 percent ($8 billion) went to the top 10.[9]

See more on grants and contracts to nonprofits here.

1. *USAspending.gov supplanted the Federal Assistance Award Data System (FAADS), and contains data on federal grants, contracts, loans, loan guarantees and insurance. Contracts data are obtained from the Federal Procurement Data System (FPDS).*
2. *Boris, Elizabeth T. "Nonprofit Organizations in a Democracy." In Nonprofits and Government: Collaboration and Conflict. 2006. The Urban Institute. Washington DC. p. 5.*
3. *Wing, Kennard T., Thomas H. Pollack and Amy Blackwood. The Nonprofit Almanac 2008. The Urban Institute: Washington DC. pp. 9-11.*
4. *Government Accountability Office (GAO). Nonprofit Sector: Increasing Numbers and Key Role in Delivering Federal Services. July 24, 2007. p 7.*
5. *This number is derived from adding up the tax expenditures from 2008 listed in Table 1 of this document. Data from: Office of Management and Budget. "Analytical Perspectives, Budget of the U. S. Government, Fiscal Year 2010." pp. 300-301.*
6. *GAO. Nonprofit Sector: Increasing Numbers and Key Role in Delivering Federal Services. July 24, 2007. p 17.*
7. *Subsidyscope analysis of data from USAspending.gov.*
8. *Ibid.*
9. *Subsidyscope analysis of Federal Procurement Data System data from USAspending.gov.*

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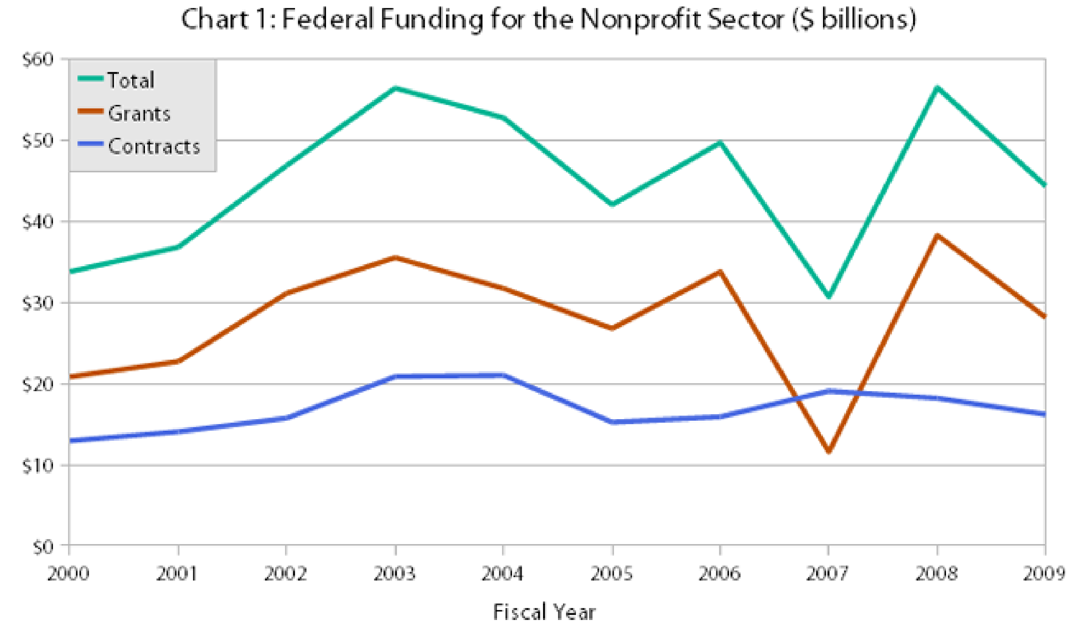
Direct Expenditures Delivered to Nonprofits Through Grants and Contracts

The federal government directly funds some nonprofit organizations with grants and contracts to provide goods and services on its behalf. Nonprofits often are appealing financial partners for the federal government because they have greater flexibility and expertise to respond to evolving social needs, as well as more direct access to those who need services.[1]

There is little data available to determine how much of the federal spending in these areas is a subsidy. In the absence of this information, Subsidyscope provides data on all direct expenditures to nonprofits through grants and contracts as a way to illustrate the total amount of government spending in this sector. This total figure is the most money the subsidy could be for these programs. *In most cases, however, the subsidy is only a small portion of the full grant or contract.* In many cases, especially for contracts, there may be no subsidy at all. For the purposes of this research, the amount of money included in subsidy program spending is higher than the actual subsidy amount for the specified grants and contracts. This issue is discussed in more detail below.

Additionally, there are problems with the quality of federal spending data on direct expenditures, especially omissions.[2] According to the Government Accountability Office (GAO), this leads to an incomplete and unreliable picture of the extent to which federal funds reach the nonprofit sector.[3] Even with incomplete data, however, spending through grants and contracts on nonprofits is clearly significant, according to GAO.[4] Subsidyscope presents data on federal spending to nonprofits, although it is likely to be an underestimate of total spending on this sector. However, it provides perspective about the size of the potential subsidies that may exist, as well as a starting point from which to analyze the federal government's funding of the nonprofit sector through direct expenditures.



Source: Subsidyscope analysis of data from USAspending.gov. Estimates are in nominal dollars and reflect the data as they appear in USAspending.gov at the time of this analysis.

Note: Data presented are obligations to programs that Subsidyscope deems likely to contain a subsidy. All grant programs in Subsidyscope's definition of the energy sector are included.

Based on available federal data for fiscal year 2008, the federal government gave grants totaling $38 billion directly to nonprofits, 8 percent of all government grants (see Chart 1 above).[5] During the same period, direct contracts to nonprofits totaled $18 billion, 3 percent of all government contracts. Of those contracts, nearly $10 billion, over half, were not competed.[6] Such non-competed contracts are more likely to have a subsidy component than contracts that undergo full and open competition.

Subsidies through Grants

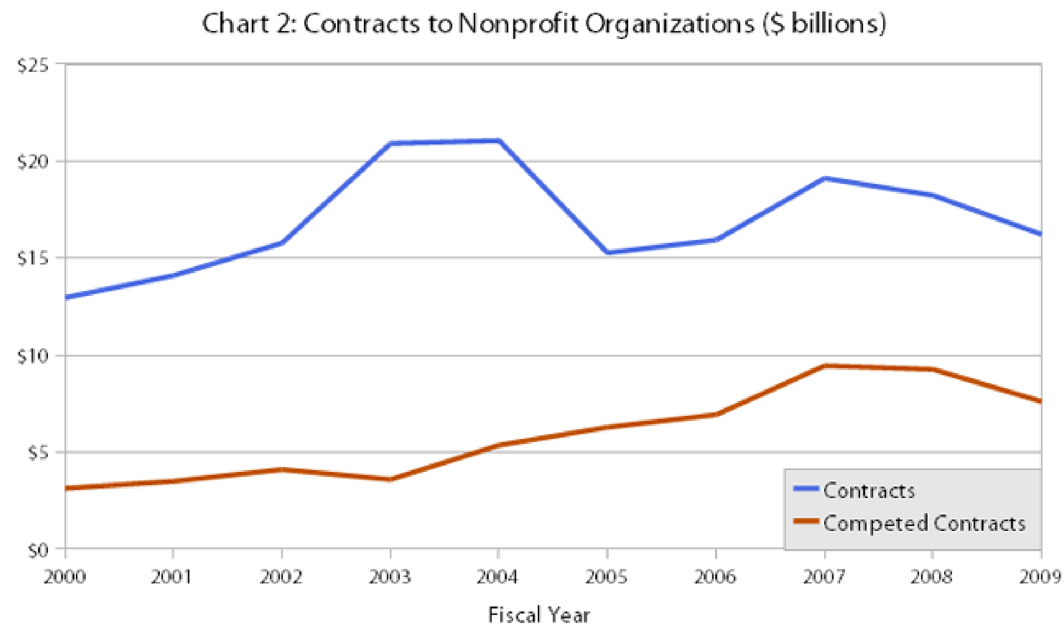
Although subsidies may be delivered through government grants, many government grants to nonprofits, such as funding community violence prevention activities, would not be considered a subsidy using Subsidyscope's definition because the federal benefit does not support an economic enterprise.[7] Even if a grant does provide a subsidy, government estimates of the subsidy are often not calculated or made available. Given these limitations, we present all federal spending on grants that can be found, as it is the upper bound of what might potentially be a subsidy to nonprofits for these programs. However, as previously mentioned, many programs are missing from federal data bases, or may not be accurately reported as having gone to a nonprofit, and are therefore not counted. Further, Subsidyscope does not include payments made through the Medicare or Medicaid programs that indirectly benefit nonprofit health care providers.[8] Subsidyscope will present more detail on these two programs when we examine the health care sector.

Click here to explore Subsidyscope's grants database.

Subsidies through Contracts

In addition to grants, the government contracts with nonprofits to provide services for the government, either on behalf of the government or for the government directly. Under a contract, a subsidy generally occurs when the government pays more than fair market value for a good or service—a situation that is relatively unusual. While it may not always be clear that a contract *does not* include a subsidy, it is sometimes clear that a contract *does* include a subsidy component. For example, federal procurement rules explicitly favor certain types of businesses, such as those that are minority-owned, and certain types of goods, such as recycled paper. But, in many cases it is difficult to determine when a subsidy is included as the fair market value may be a matter of opinion.

Subsidyscope does not attempt to determine which contracts have a subsidy component or measure what that component may be. We do presume, however, that competed contracts—contracts that are subject to an open bidding process—generally do not have a subsidy component, even though the bidding process may include certain preferences. Thus, we concentrate on those contracts that are non-competed and make this information available to the public. *This does not mean non-competed contracts contain a significant subsidy, only that it is more likely to be the case.* Click here to explore Subsidyscope's contracts database.



Source: Subsidyscope analysis of data from USAspending.gov.

Detailed Scope and Methodology

In addition to examining federal spending data on USAspending.gov—which includes the Federal Assistance Awards Data System and the Federal Procurement Data System—government support for the nonprofit sector can be examined through Internal Revenue Service (IRS) filings. This information adds further context for understanding the sector's financial relationship with the government. Most nonprofit organizations submit financial data to the IRS every year, including how much money they received from government sources. However, since this government funding includes all government sources, there is no easy way to determine what amount of money came from federal versus state and local governments. Even if a distinction could be made, some federal money is funneled to nonprofits indirectly through state and local governments and there is no simple way to determine how much of the state and local support may ultimately be coming from a federal source.

Nonetheless, the IRS data provide useful information regarding the scope of the sector and the impact of funding from government sources. A survey by the Urban Institute of IRS filings found that federal, state and local governments provided $323 billion to nonprofits in 2005—nearly a third of all nonprofit revenue. Seventy percent of the revenue was spent on health care services. For nonprofits providing non-health related services, government funding accounted for 9 percent of all revenue.[9] This estimate of government funding going to nonprofits is significantly higher than the estimate of federal funding from USAspending.gov. This discrepancy is, in part, because it includes state and local grants and contracts, as mentioned above, but the difference is further evidence that the USAspending.gov database may be missing significant information—an issue that Subsidyscope has previously written about and will continue to examine.[10]

Subsidyscope's estimate of federal spending on grants to nonprofits includes an adjustment made to prevent a potentially large underestimation of grants going to nonprofits due to a constraint in USAspending.gov records. When reporting grant data, USAspending.gov requires agencies to select either "nonprofit" or "higher education" as recipient types. It does not allow both categories to be selected for the same grant. This choice presents a problem because many colleges and universities are also nonprofits. According to GAO, 95 percent of recipients labeled "higher education" in USAspending.gov are also nonprofits, but USAspending.gov records do not reflect this dual categorization.[11] To address this problem, Subsidyscope combines these categories in its analysis of the nonprofit sector, acknowledging that a small number of for-profit recipients will be included as a result—a method also used by GAO. The estimates are significantly affected by the treatment of this category. For instance, Subsidyscope estimates that in 2008 organizations labeled "higher education" accounted for 46 percent of all federal grants within the nonprofit sector, meaning that a significant portion of contracts within the sector would be missing if the "higher education" label were not included.[12]

1. *Government Accountability Office (GAO), "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. Washington DC. p. 6.*
2. *Subsidyscope findings on USASpending.gov data quality.*
3. *GAO, "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. Washington DC. p. 3.*
4. *Ibid.*
5. *Grants data collected from the Federal Assistance Awards Data System (FAADS) and contracts information from the Federal Procurement Data System (FPDS) and presented at USAspending.gov. FAADS and FPDS identify federal spending on nonprofits that is provided directly by the federal government. Federal funds can also be routed to nonprofits indirectly through state and local governments. Subsidyscope's estimates, which are based on FAADS and FPDS, do not include such indirect funding. Estimates do include both grants and contracts identified as going to higher education recipients. See methodology section for a more detailed discussion.*
6. *Subsidyscope analysis of FPDS data.*
7. *According to GAO, "Subsidies are designed to support the conduct of an economic enterprise or activity,"—and "there must be a payment or benefit made by the federal government where the benefit exceeds the cost to the beneficiary." GAO. "A Glossary of Terms Used in the Federal Budget Process." September 2005. Washington DC. p. 92.*
8. *Medicare and Medicaid increase the demand for health care services. According to the GAO, Medicare alone paid nonprofit health care providers and managed care plans about $135 billion in calendar year 2006 (see GAO, "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. Washington DC. p. 22.). The subsidy provided by such payments is much less than the total amount and would be the equivalent of the additional net earnings experienced by nonprofits compared to their net earnings absent the additional demand.*
9. *Wing, Kennard T., Thomas H. Pollack and Amy Blackwood. The Nonprofit Almanac 2008. The Urban Institute. Washington DC. 2008. p. 134.*
10. *GAO, "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. Washington DC. p. 3.*
11. *Ibid., p. 18.*
12. *Subsidyscope analysis of data from USAspending.gov.*

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Nonprofits

Tax Expenditures in the Nonprofit Sector

The federal government indirectly subsidizes the nonprofit sector through federal tax deductions, exemptions, credits and exclusions. Subsidyscope estimates that for fiscal year 2008, tax expenditures that target nonprofit organizations totaled over $50 billion (see Table 1).[1] The largest single nonprofit-related tax subsidy is the tax deduction for charitable giving which cost the government nearly $47 billion in lost revenue in fiscal year 2008.[2] In addition to the tax expenditures that specifically target the nonprofit sector, there are tax subsidies that are aimed at certain types of services for which nonprofit organizations are common, but not exclusive, suppliers.

A rationale for subsidizing nonprofits through the tax code is that goods and services often supplied by nonprofits, such as education, are underprovided by profit-driven markets. To compensate for the relative scarcity of these goods and services, governments can encourage individuals and corporations to support nonprofit organizations through the tax code, such as allowing a tax deduction for charitable giving. More on the specific rationale for the charitable deduction is here.

Tax Subsidies That Target Nonprofits

Table 1 lists five tax expenditures that must involve a nonprofit for the tax benefit to be claimed by the taxpayer.[3] Each is discussed in detail below.

Table 1: Tax Expenditures for Individuals and Corporations That Target Nonprofits ($ millions)

	2008	2009	2010	2011	2012	2013	2014
Deduction for Charitable Contributions:							
for Institutions Other than Education and Health	$38,200	$43,370	$46,980	$50,550	$54,600	$59,070	$62,790
for Health Organizations	$4,310	$4,890	$5,300	$5,700	$6,160	$6,660	$7,080
for Educational Institutions	$4,330	$4,880	$5,270	$5,670	$6,110	$6,600	$7,010
Exemption of Credit Union Income	$1,140	$1,190	$1,230	$1,280	$1,330	$1,380	$1,430
Exclusion of Interest on Bonds for Private Nonprofit Educational Facilities	$860	$1,870	$1,960	$2,110	$2,260	$2,320	$2,390
Special BlueCross BlueShield Deduction	$620	$600	$650	$660	$670	$680	$690
Exclusion of Housing Allowances for Ministers	$550	$580	$620	$660	$700	$740	$790
Total	**$50,010**	**$57,380**	**$62,010**	**$66,630**	**$71,830**	**$77,450**	**$82,180**

Source: Subsidyscope compilation of data from OMB. "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010." pp. 300 -302. OMB presents Treasury Department estimates based on current tax law as of December 31, 2008; future *years are projections.*

The Deduction for Charitable Contributions

The largest tax subsidy that targets nonprofits is the deduction for charitable contributions. The federal government subsidizes donations to qualified charities by allowing taxpayers who itemize to deduct those donations from their pre-tax income.[4,5] In fiscal year 2008, this tax subsidy cost the Treasury nearly $47 billion of revenue.[6]

This provision benefits nonprofits and taxpayers by lowering the cost of charitable giving. The amount of the tax subsidy rises with the taxpayer's marginal tax rate. For example, a taxpayer who is subject to a marginal rate of 25 percent and makes a donation of $1000 to a charity will save $250 on their taxes and, thus, only end up spending $750 in order to donate $1000, after the tax deduction. (Without the deduction, the taxpayer would have paid $250 more in taxes.) By comparison, using the same computation, a taxpayer subject to a marginal tax rate of 35 percent would spend $650 donating $1000 to a charity.

Taxpayers who claim this deduction share its benefit with the nonprofits to which they give. In order to determine what share of the benefit goes to nonprofits, one must know how much these taxpayers would have donated in the absence of the tax subsidy. Unfortunately, there is no clear answer to this question. Regardless, it is by far the largest federal tax expenditure targeted to nonprofits.

Exemption of Credit Union Income

Federal and state chartered credit unions are typically organized around certain membership groups (e.g., employees of an organization) and do not operate to make a profit. Like other nonprofit organizations, credit unions are exempt from the federal income tax. However, the exemption of credit union income is considered a tax expenditure by the Treasury Department. This exemption cost the government $1.1 billion in fiscal year 2008[7] and results in credit unions paying their members higher dividends on their deposits and charging them lower interest rates on loans.[8] More information on this tax subsidy can be found here.

Tax-Exempt Bonds

State and local governments issue tax-exempt bonds.[9] Some of these bonds help finance activities or facilities often used by nonprofit organizations such as the construction of hospitals and nursing homes. This provides a subsidy because interest payments on the bonds are exempt from income tax. The bonds lower the nonprofit's costs because investors accept a lower rate of interest due to the tax benefit. Thus, many bond buyers and nonprofits share the benefit from this tax subsidy.[10] Government-issued tax-exempt bonds are generally not targeted at nonprofit organizations so Subsidyscope classifies them as incidentally benefiting the nonprofit sector and lists them in Table 2 below.[11] One category of government-issued bonds specifically finances private nonprofit educational facilities such as classrooms and dormitories.[12] These bonds cost the government an estimated $860 million in lost revenue in 2008[13] and are listed as a subsidy targeted at nonprofit organizations in Table 1.

The Special Deduction for BlueCross BlueShield

BlueCross BlueShield initially received a special federal tax deduction because it provided community rated[14] health insurance, including the provision of high-risk and small-group coverage.[15] BlueCross BlueShield was a tax-exempt organization until that status was overturned by the Tax Reform Act of 1986; however, the special deduction was left in place. This deduction is estimated to have cost the Treasury approximately $620 million in FY 2008.[16]

Exclusion of Housing Allowance for Ministers

Expenditures on housing that churches provide to ministers are not taxable. An effect of this provision is that churches may be able to pay ministers a lower salary since their cost of housing is effectively reduced. In this sense, the tax exclusion benefits both the ministers—who pay less income tax—and the nonprofit churches they serve. The government subsidized churches and ministers through this exclusion in 2008 by foregoing $550 million of revenue.[17]

Tax Subsidies Incidentally Benefiting Nonprofits

A number of tax expenditures are targeted at certain types of services that are often, but not exclusively, provided by nonprofit organizations. In its report on federal funding of the nonprofit sector, the Government Accountability Office (GAO) discusses these other tax benefits.[18] For example, GAO presents the exclusion of employer contributions for medical insurance premiums and medical care from a company's taxable income, which subsidizes both nonprofit and for-profit health care providers as well as employees. Unfortunately, there are no reliable estimates on how much this, or other such tax subsidies, directly subsidize nonprofits.

GAO presents a short list of tax expenditures that benefit nonprofits as well as other entities; however, GAO emphasizes that it did not attempt to identify all tax expenditures that benefit nonprofits. Subsidyscope begins with GAO's list, and further identifies other tax expenditures for which some of the benefit flows to nonprofits. While Subsidyscope does not include these subsidies in the overall estimate of subsidies the nonprofit sector receives, users of this site should be aware of these large non-targeted tax provisions that can incidentally, but significantly, benefit the nonprofit sector. Table 2 below provides a list of such tax expenditures. The scope of this table is limited to tax expenditures for activities presented by the OMB as falling in the budget functions "Education, Training, Employment, and Social Services" and "Health." Nonprofits performing activities in these two areas comprise about 64 percent[19] of all nonprofits, 88 percent of the sector's revenues and 82 percent of its assets.[20]

Table 2: Selected Tax Expenditures That Incidentally Benefit Nonprofits (In Addition to Other Entities)

Exclusion of Employer Contributions for Medical Insurance Premiums and Medical Care
Deductibility of Medical Expenses
Self-Employed Medical Insurance Premiums
HOPE Tax Credit
Credit for Child and Dependent Care Expenses
Lifetime Learning Tax Credit
Exclusion of Scholarship and Fellowship Income
Medical Savings Accounts/Health Savings Accounts
Deduction for Higher Education Expenses
Exclusion of Interest on Hospital Construction Bonds
Deductibility of Student Loan Interest
State Prepaid Tuition Plans
Exclusion of Employer-provided Educational Assistance
Work Opportunity Tax Credit
Adoption Credit and Exclusion
Distributions for Retirement Plans for Premiums for Health and Long-Term Care Insurance
Exclusion of Interest on Student Loan Bonds
Special Deduction for Teacher Expenses
Credit for Holders of Zone Academy Bonds
Credit for Disabled Access Expenditures
Education Individual Retirement Accounts
Employee Retention Credit for employers in Certain Federal Disaster Areas
Exclusion of interest on Savings Bonds Redeemed to Finance Educational Expenses
Discharge of Student Loan Indebtedness
Tax Credit for Health Insurance Purchased by Certain Displaced and Retired Individuals

Tax Exempt Status of Sector

Subsidyscope defines the nonprofit sector as any organization exempt from federal taxation under subsection 501(a) of the Internal Revenue Service code.[21] This includes so-called 501(c)(3) and 501(c)(4) organizations such as religious institutions, charities, civic organizations and private foundations. Click here to read Subsidyscope's Summary of the Nonprofit Sector.

Source: Subsidyscope compilation of data from OMB. "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010." pp. 300 -302; 304.

While the nonprofit sector is exempt from federal income taxes, Subsidyscope does not consider tax exemption for nonprofits a federal subsidy. This is for two reasons. First, the exemption was not conceived as a tax subsidy. The tax exemption was originally an attempt to define the corporate income tax base and determine which activities of traditional nonprofit organizations should remain outside the sphere of government. As such, the tax exemption does not constitute a subsidy because the income from the non-business activities of nonprofit organizations was never intended to be taxed in the first place.[22]

Second, the federal government does not recognize the exemption as a tax expenditure. Neither the Office of Management and Budget nor Congress' Joint Committee on Taxation list the sector's tax-exempt status as a tax expenditure, thus neither of these entities estimate the amount of revenue lost from the tax exemption.

Nonetheless, attempts have been made at estimating the sector's untaxed revenue. For example, an Urban Institute study estimated that the potentially taxable income of public charities was $25.4 billion in 2002, the equivalent to an income tax savings to nonprofits (and a loss to the government) of $10.1 billion.[23]

1. *This number derived by adding up the tax expenditures listed in the 2008 column of Table 1. Office of Management and Budget (OMB). "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010." pp. 300-30. Summing tax expenditures does not account for the potential interactions among different types of taxes; however, in this case, the potential interactions are modest and thus it provides a reasonably good estimate of the total cost to the Treasury of the tax expenditures that are specifically targeted to the nonprofit sector.*
2. *This number derived is from adding up the deductibility of charitable contributions for the categories of "education," "health," and "other than education and health" for 2008. OMB. "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010." p. 301.*
3. *It is important to note that the indirect nature of the tax subsidies and other measurement issues precludes a definitive estimate of the subsidy that nonprofits actually receive.*
4. *Internal Revenue Service (IRS), "Charitable Contribution Deductions (Publication 78 Help, Part II)." High-income taxpayers face certain limits on the amount of itemized deductions that they can subtract from their income.*
5. *Charitable bequests can be also deducted from federal estate taxes. This deduction operates similarly to the charitable giving deduction for the income tax, and effectively lowers the cost of donating to a charity. For practical reasons, the scope of Subsidyscope's analysis does not currently include tax subsidies, such as this, that occur outside the income tax system. In general such subsidies are small, but this is an exception. Estimates show that the average amount of charitable bequests rose steadily over the past twenty years and reached $20 billion in 2004 (See Joulfaian, David. "On Estate Tax Repeal and Charitable Bequests." (June 8, 2009). Tax Notes. Vol. 123, No. 10, 2009. p. 1221; and Brody, Evelyn and Joseph J. Cordes. "Tax Treatment of Nonprofit Organizations: A Two-Edged Sword?" in Nonprofits and Government: Collaboration & Conflict, 2nd ed., The Urban Institute Press. Washington DC, 2006. p. 161.)*
6. *See footnote 2.*
7. *Ibid., 304.*
8. *Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC. p. 295.*
9. *When state and local bonds pay for government facilities that serve the public interest, they are called "governmental bonds." Other bonds issued by state and local governments are called "private activity bonds" and are not tax exempt. However, private activity bonds issued for construction of certain facilities, such as nonprofit university, hospitals and nursing homes, are tax exempt due to the fact that there are both private and public beneficiaries of these institutions. For more on private activity bonds, including volume limits that may apply, see this IRS Publication entitled "Tax-Exempt Private Activity Bonds."*
10. *CRS. "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC. p. 612.*

11. *The CRS estimates the tax revenue lost due to tax exempt bonds specifically for nonprofits hospitals, but the OMB fails to separate out the nonprofit and for-profit recipients of the subsidy. Thus we do not report the estimates here.*
12. *Tax-exempt bonds are also used to finance the construction of hospitals, many of which are nonprofit organizations. However, Subsidyscope presents tax expenditure estimates that are produced by the Treasury Department for the OMB and these estimates do not break out the portion of that tax subsidy that benefits nonprofit versus for-profit hospitals.*
13. *OMB. "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010." p. 302.*
14. *Under "community rating," an insurer charges all people covered by the same type of health insurance policy the same premium without regard to age, gender, health status, occupation, or other factors. The insurer determines the premium based on the health and demographic profile of the geographic region or the total population covered under a particular policy that it insures. See more here.*
15. *CRS. "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC. p. 314.*
16. *OMB, "Analytical Perspectives, Budget of the U.S. Government, Fiscal Year 2010," p. 305.*
17. *Ibid.*
18. *GAO, "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. GPO: Washington DC. P. 26.*
19. *The Urban Institute. Nonprofit Almanac 2008. Washington DC, 2008. p. 144. Number derived by adding the rows labeled "Education," "Human Services" and Health."*
20. *The Urban Institute. The Nonprofit Sector In Brief. Washington DC, 2008. p. 2.*
21. *This is the same definition used by the Government Accountability Office. See GAO. "Nonprofit Sector: Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data are Needed." February 2009. pp. 24-25.*
22. *<="">Brody, Evelyn and Joseph J. Cordes. "Tax Treatment of Nonprofit Organizations: A Two-Edged Sword?" in Nonprofits and Government: Collaboration & Conflict, 2nd ed., The Urban Institute Press. Washington DC, 2006, p. 153.*

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23. *Ibid. p. 150.*

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Deduction for Charitable Contributions for Educational Institutions
Deduction for Charitable Contributions for Health Organizations
Deduction for Charitable Contributions for Institutions Other than Education and Health
Credit Union Income
Bonds for Private Nonprofit Educational Facilities
Special BlueCross BlueShield Deduction
Exclusion of Housing Allowances for Ministers
Loans & Loan Guarantees

Deduction for Charitable Contributions for Educational Institutions

All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Description

Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, and estates and trusts. The contributions must be made to specific types of organizations, including scientific, literary, or educational organizations.

Individuals who itemize may deduct qualified contribution amounts of up to 50 percent of their adjusted gross income (AGI) and up to 30 percent for gifts of capital gain property. For contributions to nonoperating foundations and organizations, deductibility is limited to the lesser of 30 percent of the taxpayer's contribution base, or the excess of 50 percent of the contribution base for the tax year over the amount of contributions which qualified for the 50-percent deduction ceiling (including carryovers from previous years). Gifts of capital gain property to these organizations are limited to 20 percent of AGI.

The maximum amount deductible by a corporation is 10 percent of its adjusted taxable income. Adjusted taxable income is defined to mean taxable income with regard to the charitable contribution deduction, dividends-received deduction, any net operating loss carryback, and any capital loss carryback. Excess contributions may be carried forward for five years. Amounts carried forward are used on a first-in, first-out basis after the deduction for the current year's charitable gifts have been taken. Typically, a deduction is allowed only in the year in which the contribution occurs.

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	970	1,910
1999	485	2,040
2000	600	2,130
2001	590	3,240
2002	720	3,300
2003	490	3,180
2004	510	3,180
2005	540	2,880
2006	570	3,630
2007	600	3,730
2008	600	3,730
2009	630	4,250
2010	670	4,600
2011	710	4,960
2012	750	5,360
2013	790	5,810
2014	830	6,180

Source: Analytical Perspectives, President's Fiscal Year

Budget, 2007-2010. Numbers provided are from the most recent estimate.

However, an accrual-basis corporation is allowed to claim a deduction in the year preceding payment if its board of directors authorizes a charitable gift during the year and payment is scheduled by the 15th day of the third month of the next tax year.

If a contribution is made in the form of property, the deduction depends on the type of taxpayer (i.e., individual, corporate, etc.), recipient, and purpose.

As a result of the enactment of the American Jobs Creation Act of 2004, P.L. 108-357, donors of noncash charitable contributions face increased reporting requirements. For charitable donations of property valued at $5,000 or more, donors must obtain a qualified appraisal of the donated property. For donated property valued in excess of $500,000, the appraisal must be attached to the donor's tax return. Deductions for donations of patents and other intellectual property are limited to the lesser of the taxpayer's basis in the donated property or the property's fair market value. Taxpayers can claim additional deductions in years following the donation based on the income the donated property provides to the donee. The 2004 act also mandated additional reporting requirements for charitable organizations receiving vehicle donations from individuals claiming a tax deduction for the contribution, if it is valued in excess of $500.

Taxpayers are required to obtain written substantiation from a donee organization for contributions that exceed $250. This substantiation must be received no later than the date the donor-taxpayer files the required income tax return. Donee organizations are obligated to furnish the written acknowledgment when requested with sufficient information to substantiate the taxpayer's deductible contribution.

The Pension Protection Act of 2006 (P.L. 109-280) included several provisions that temporarily expand charitable giving incentives. The provisions, effective after December 31, 2005 and before January 1, 2008, include enhancements to laws governing non-cash gifts and tax-free distributions from individual retirement plans for charitable purposes. The 2006 law also tightened rules governing charitable giving in certain areas, including gifts of taxidermy, contributions of clothing and household items, contributions of fractional interests in tangible personal property, and record- keeping and substantiation requirements for certain charitable contributions. Temporary charitable giving incentives were further extended by the Economic Emergency Economic Stabilization Act of 2008 (P.L. 110-343) enacted in October 2008.

Impact

The deduction for charitable contributions reduces the net cost of contributing. In effect, the federal government provides the donor with a corresponding grant that increases in value with the donor's marginal tax bracket. Those individuals who use the standard deduction or who pay no taxes receive no benefit from the provision.

A limitation applies to the itemized deductions of high-income taxpayers. Under this provision, initially a phaseout applied which reduced itemized deductions by 3 percent of the amount by which a taxpayer's adjusted gross income (AGI) exceeds an inflation adjusted dollar amount ($166,800 in 2009). This phase out is, in turn being phased out, and in 2009 is reduced by two thirds. It is eliminated in 2010, but after that year the elimination of the phaseout expires, unless extended. The table below provides the distribution of all charitable contributions, not just those to educational organizations.

Before the 2004 enactment, donors could deduct the fair market value of donations of intellectual property. The new restrictions may result in fewer such donations to universities and other qualified institutions. The need to account for any increased income attributable to the donation might involve more work for recipient institutions.

Rationale

This deduction was added by passage of the War Revenue Act of October 3, 1917. Senator Hollis, the sponsor, argued that high wartime tax rates would absorb the surplus funds of wealthy taxpayers, which were generally contributed to charitable organizations.

It was also argued that many colleges would lose students to the military and charitable gifts were needed by educational institutions. Thus, the original rationale shows a concern for educational organizations. The deduction was extended to estates and trusts in 1918 and to corporations in 1935.

Distribution by Income Class of the Tax Expenditure for Charitable Contributions, 2007

Income Class (in thousands of $)	Percentage Distribution
Below $10	0.0
$10 to $20	0.1
$20 to $30	0.3
$30 to $40	0.8
$40 to $50	1.6
$50 to $75	6.6
$75 to $100	8.0
$100 to $200	27.5
$200 and over	55.2

The provisions enacted in 2004 resulted from Internal Revenue Service and congressional concerns that taxpayers were claiming inflated charitable deductions, causing significant federal revenue loss. In the case of patent and other intellectual property donations, the IRS expressed concern not only about overvaluation of property, but also whether consideration was received in return for the donation and whether only a partial interest, rather than full interest, of property was being transferred. The 2006 enactments were, in part, a result of continued concerns from 2004.

Assessment

Most economists agree that education produces substantial “spillover” effects benefitting society in general. Examples include a more efficient workforce, lower unemployment rates, lower welfare costs, and less crime. An educated electorate fosters a more responsive and effective government. Since these benefits accrue to society at large, they argue in favor of the government actively promoting education.

Further, proponents argue that the Federal government would be forced to assume some activities now provided by educational organizations if the deduction were eliminated. However, public spending might not be available to make up all the difference. Also, many believe that the best method of allocating general welfare resources is through a dual system of private philanthropic giving and governmental allocation.

Economists have generally held that the deductibility of charitable contributions provides an incentive effect which varies with the marginal tax rate of the giver. There are a number of studies which find significant behavioral responses, although a study by Randolph suggests that such measured responses may largely reflect transitory timing effects.

Types of contributions may vary substantially among income classes. For example, contributions to religious organizations are far more concentrated at the lower end of the income scale than contributions to educational institutions. More highly valued contributions, like intellectual property and patents, tend to be made by corporations to educational institutions.

It has been estimated by the American Association of Fund-Raising Counsel Trust for Philanthropy, Inc. that giving to public and private colleges, universities, elementary schools, secondary schools, libraries, and to special scholarship funds, nonprofit trade schools, and other educational facilities amounted to $38.56 billion in calendar year 2005.

Opponents say that helping educational organizations may not be the best way to spend government money. Opponents further claim that the present system allows wealthy taxpayers to indulge special interests (such as gifts to their alma mater).

To the extent that charitable giving is independent of tax considerations, federal revenues are lost without any corresponding increase in charitable gifts. It is generally argued that the charitable contributions deduction is difficult to administer and adds complexity to the tax code.

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Deduction for Charitable Contributions for Health Organizations

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Description

Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, and estates and trusts. The contributions must be made to specific types of organizations, including organizations whose purpose is to provide medical or hospital care, or medical education or research. To be eligible, organizations must be not-for-profit.

Individuals who itemize may deduct qualified contribution amounts of up to 50 percent of their adjusted gross income (AGI) and up to 30 percent for gifts of capital gain property. For contributions to nonoperating foundations and organizations, deductibility is limited to the lesser of 30 percent of the taxpayer's contribution base, or the excess of 50 percent of the contribution base for the tax year over the amount of contributions which qualified for the 50-percent deduction ceiling (including carryovers from previous years). Gifts of capital gain property to these organizations are limited to 20 percent of AGI.

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Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	$610	$1,950
1999	$585	$2,090
2000	$730	$2,180
2001	$710	$3,300
2002	$870	$3,370
2003	$140	$3,250
2004	$150	$2,940
2005	$160	$3,190
2006	$170	$4,020
2007	$180	$4,130
2008	$180	$4,130
2009	$190	$4,700
2010	$200	$5,100
2011	$210	$5,490
2012	$220	$5,940
2013	$230	$6,430
2014	$240	$6,840

the year in which the contribution occurs. However, an accrual-basis corporation is allowed to claim a deduction in the year preceding payment if its board of directors authorizes a charitable gift during the year and payment is scheduled by the 15th day of the third month of the next tax year.

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

If a contribution is made in the form of property, the deduction depends on the type of taxpayer (i.e., individual, corporate, etc.), recipient, and purpose.

As a result of the enactment of the American Jobs Creation Act of 2004, P.L. 108-357, donors of noncash charitable contributions face increased reporting requirements. For charitable donations of property valued at $5,000 or more, donors must obtain a qualified appraisal of the donated property. For donated property valued in excess of $500,000, the appraisal must be attached to the donor's tax return. Deductions for donations of patents and other intellectual property are limited to the lesser of the taxpayer's basis in the donated property or the property's fair market value. Taxpayers can claim additional deductions in years following the donation based on the income the donated property provides to the donee. The 2004 act also mandated additional reporting requirements for charitable organizations receiving vehicle donations from individuals claiming a tax deduction for the contribution, if it is valued in excess of $500.

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The Pension Protection Act of 2006 (P.L. 109-280) included several provisions that temporarily expand charitable giving incentives. The provisions, effective after December 31, 2005 and before January 1, 2008, include enhancements to laws governing non-cash gifts and tax-free distributions from individual retirement plans for charitable purposes. The 2006 law also tightened rules governing charitable giving in certain areas, including gifts of taxidermy, contributions of clothing and household items, contributions of fractional interests in tangible personal property, and record- keeping and substantiation requirements for certain charitable contributions. Temporary charitable giving incentives were further extended by the Economic Emergency Economic Stabilization Act of 2008 (P.L. 110-343) enacted in October 2008.

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The deduction for charitable contributions reduces the net cost of contributing. In effect, the federal government provides the donor with a corresponding grant that increases in value with the donor's marginal tax bracket. Those individuals who use the standard deduction or who pay no taxes receive no benefit from the provision.

A limitation applies to the itemized deductions of high-income taxpayers. Under this provision, initially a phaseout applied which reduced itemized deductions by 3 percent of the amount by which a taxpayer's adjusted gross income (AGI) exceeds an inflation adjusted dollar amount ($166,800 in 2009). This phase out is, in turn being phased out, and in 2009 is reduced by two thirds. It is eliminated in 2010, but after that year the elimination of the phaseout expires, unless extended. The table below provides the distribution of all charitable contributions, not just those to health organizations.

Rationale

Distribution by Income Class of the Tax Expenditure for Charitable Contributions,

This deduction was added by passage of the War Revenue Act of October 3, 1917. Senator Hollis, the sponsor, argued that high wartime tax rates would absorb the surplus funds of wealthy taxpayers, which were generally contributed to charitable organizations.

2007

Income Class (in thousands of $)	Percentage Distribution
Below $10	0.0
$10 to $20	0.1
$20 to $30	0.3
$30 to $40	0.8
$40 to $50	1.6
$50 to $75	6.6
$75 to $100	8.0
$100 to $200	27.5
$200 and over	55.2

The provisions enacted in 2004 resulted from Internal Revenue Service and congressional concerns that taxpayers were claiming inflated charitable deductions, causing the loss of federal revenue. In the case of vehicle donations, concern was expressed about the inflation of deductions. GAO reports published in 2003 indicated that the value of benefit to charitable organizations from donated vehicles was significantly less than the value claimed as deductions by taxpayers. The 2006 enactments were, in part, a result of continued concerns from 2004.

Supporters note that contributions finance desirable activities such as hospital care for the poor. Further, the Federal Government would be forced to step in to assume some of the activities currently provided by health care organizations if the deduction were eliminated; however, public spending might not be available to make up all of the difference. In addition, many believe that the best method of allocating general welfare resources is through a dual system of private philanthropic giving and governmental allocation.

Economists have generally held that the deductibility of charitable contributions provides an incentive effect which varies with the marginal tax rate of the giver. There are a number of studies which find significant behavioral responses, although a study by Randolph suggests that such measured responses may largely reflect transitory timing effects.

Types of contributions may vary substantially among income classes. Contributions to religious organizations are far more concentrated at the lower end of the income scale than are contributions to health organizations, the arts, and educational institutions, with contributions to other types of organizations falling between these levels. However, the volume of donations to religious organizations is greater than to all other organizations as a group. In 2005, the American Association of Fund-Raising Counsel Trust for Philanthropy, Inc. (AAFRC) estimated that contributions to religious institutions amounted to 45 percent of all contributions ($93.2 billion), while contributions to health care providers and associations amounted to less than 21 percent ($22.5 billion).

Using current dollars, AAFRC reported giving to health increased by 4.8 percent in 2000, declined in 2001 and 2002, rose by 8.2 percent in 2003, 5.1 percent in 2004, and 2.7 percent in 2005.

There has been a debate concerning the amount of charity care being provided by health care organizations with tax-exempt status. In the 109th Congress, hearings were held by both the Senate Committee on Finance and the House Committee on Ways and Means to examine the charitable status of nonprofit health care organizations. Those who support eliminating charitable deductions note that deductible contributions are made partly with dollars which are public funds. They feel that helping out private charities may not be the optimal way to spend government money.

Opponents further claim that the present system allows wealthy taxpayers to indulge special interests and hobbies. To the extent that charitable giving is independent of tax considerations, federal revenues are lost without having provided any additional incentive for charitable gifts. It is generally argued that the charitable contributions deduction is difficult to administer and that taxpayers have difficulty complying with it because of complexity.

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Nonprofits

Summary
Grants & Contracts
Tax Subsidies
Deduction for Charitable Contributions for Educational Institutions
Deduction for Charitable Contributions for Health Organizations
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Credit Union Income
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Exclusion of Housing Allowances for Ministers
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Deduction for Charitable Contributions for Institutions Other than Education and Health

All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Description

Subject to certain limitations, charitable contributions may be deducted by individuals, corporations, and estates and trusts. The contributions must be made to specific types of organizations: charitable, religious, educational, and scientific organizations, nonprofit hospitals, public charities, and Federal, State, and local governments.

Individuals who itemize may deduct qualified contributions of up to 50 percent of their adjusted gross income (AGI) (30 percent for gifts of capital gain property). For contributions to non-operating foundations and organizations, deductibility is limited to the lesser of 30 percent of the taxpayer's contribution base, or the excess of 50 percent of the contribution base for the tax year over the amount of contributions which qualified for the 50 percent deduction ceiling (including carryovers from previous years). Gifts of capital gain property to these organizations are limited to 20 percent of AGI.

If a contribution is made in the form of property, the deduction depends on the type of taxpayer (i.e., individual, corporate, etc.), recipient, and purpose.

The maximum amount deductible by a corporation is 10 percent of its adjusted taxable income. Adjusted taxable income is defined to mean taxable income with regard to the charitable contribution deduction, dividends-received deduction, any net operating loss carryback, and any capital loss carryback. Excess contributions may be carried forward for

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
2000	$750	$19,400
2001	$730	$29,420
2002	$890	$29,970
2003	$1,110	$28,910
2004	$1,170	$26,200
2005	$1,230	$28,440
2006	$1,300	$35,820
2007	$1,370	$36,830
2008	$1,370	$36,830
2009	$1,440	$41,930
2010	$1,510	$45,470
2011	$1,580	$48,970
2012	$1,650	$52,950
2013	$1,720	$57,350
2014	$1,790	$61,000

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

five years. Amounts carried forward are used on a first-in, first-out basis after the deduction for the current year's charitable gifts have been taken. Typically, a deduction is allowed only in the year in which the contribution occurs. However, an accrual-basis corporation is allowed to claim a deduction in the year preceding payment if its board of directors authorizes a charitable gift during the year and payment is scheduled by the 15th day of the third month of the next tax year.

As a result of the enactment of the American Jobs Creation Act of 2004, P.L. 108-357, donors of noncash charitable contributions face increased reporting requirements. For charitable donations of property valued at $5,000 or more, donors must obtain a qualified appraisal of the donated property. For donated property valued in excess of $500,000, the appraisal must be attached to the donor's tax return. Deductions for donations of patents and other intellectual property are limited to the lesser of the taxpayer's basis in the donated property or the property's fair market value. Taxpayers can claim additional deductions in years following the donation based on the income the donated property provides to the donee. The 2004 act also mandates additional reporting requirements for charitable organizations receiving vehicle donations from individuals claiming a tax deduction for the contribution, if it is valued in excess of $500.

Taxpayers are required to obtain written substantiation from a donee organization for contributions which exceed $250. This substantiation must be received no later than the date the donor-taxpayer filed the required income tax return. Donee organizations are obligated to furnish the written acknowledgment when requested with sufficient information to substantiate the taxpayer's deductible contribution.

The Pension Protection Act of 2006 (P.L. 109-280) included several provisions that temporarily expand charitable giving incentives. The provisions, effective after December 31, 2005 and before January 1, 2008, include enhancements to laws governing non-cash gifts and tax-free distributions from individual retirement plans for charitable purposes. The 2006 law also tightened rules governing charitable giving in certain areas, including gifts of taxidermy, contributions of clothing and household items, contributions of fractional interests in tangible personal property, and record- keeping and substantiation requirements for certain charitable contributions. Temporary charitable giving incentives were further extended by the Economic Emergency Economic Stabilization Act of 2008 (P.L. 110-343) enacted in October 2008.

The deduction for charitable contributions reduces the net cost of contributing. In effect, the Federal Government provides the donor with a corresponding grant that increases in value with the donor's marginal tax bracket. Those individuals who use the standard deduction or who pay no taxes receive no benefit from the provision.

A limitation applies to the itemized deductions of high-income taxpayers. Under this provision, initially a phaseout applied which reduced itemized deductions by 3 percent of the amount by which a taxpayer's adjusted gross income (AGI) exceeds an inflation adjusted dollar amount ($166,800 in 2009). This phase out is, in turn being phased out, and in 2009 is reduced by two thirds. It is eliminated in 2010, but after that year the elimination of the phaseout expires, unless extended. The table below provides the distribution of all charitable contributions.

Rationale

This deduction was added by passage of the War Revenue Act of October 3, 1917. Senator Hollis, the sponsor, argued that high wartime tax rates would absorb the surplus funds of wealthy taxpayers, which were generally contributed to

Distribution by Income Class of the Tax Expenditure for Charitable Contributions, 2007

Income Class (in thousands of $)	Percentage Distribution
Below $10	0.0
$10 to $20	0.1

charitable organizations.

$20 to $30	0.3
$30 to $40	0.8
$40 to $50	1.6
$50 to $75	6.6
$75 to $100	8.0
$100 to $200	27.5
$200 and over	55.2

The provisions enacted in 2004 resulted from Internal Revenue Service and congressional concerns that taxpayers were claiming inflated charitable deductions, causing the loss of federal revenue. In the case of vehicle donations, concern was expressed about the inflation of deductions. GAO reports published in 2003 indicated that the value of benefit to charitable organizations from donated vehicles was significantly less than the value claimed as deductions by taxpayers. The 2006 enactments were, in part, a result of continued concerns from 2004.

Assessment

Supporters note that contributions finance socially desirable activities. Further, the federal government would be forced to step in to assume some activities currently provided by charitable, nonprofit organizations if the deduction were eliminated. However, public spending might not be available to make up all of the difference. In addition, many believe that the best method of allocating general welfare resources is through a dual system of private philanthropic giving and governmental allocation.

Economists have generally held that the deductibility of charitable contributions provides an incentive effect which varies with the marginal tax rate of the giver. There are a number of studies which find significant behavioral responses, although a study by Randolph suggests that such measured responses may largely reflect transitory timing effects.

Types of contributions may vary substantially among income classes. Contributions to religious organizations are far more concentrated at the lower end of the income scale than contributions to hospitals, the arts, and educational institutions, with contributions to other types of organizations falling between these levels. However, the volume of donations to religious organizations is greater than to all other organizations as a group. For example, the American Association of Fund-Raising Counsel Trust for Philanthropy, Inc. estimated that giving to religious institutions amounted to 45 percent of all contributions ($93.2 billion) in calendar year 2005. This was in comparison to the next largest component of charitable giving recipients, educational institutions, at 14.8 percent ($38.56 billion).

Those who support eliminating this deduction note that deductible contributions are made partly with dollars which are public funds. They feel that helping out private charities may not be the optimal way to spend government money.

Opponents further claim that the present system allows wealthy taxpayers to indulge special interests and hobbies. To the extent that charitable giving is independent of tax considerations, federal revenues are lost without having provided any additional incentive for charitable gifts. It is generally argued that the charitable contributions deduction is difficult to administer and adds complexity to the tax code.

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All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Nonprofits

Exemption of Credit Union Income

All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Description

Credit unions without capital stock, organized and operated for mutual purposes, and without profit are not subject to Federal income tax.

Impact

Credit unions are the only depository institutions exempt from Federal income taxes. If this exemption were repealed, both federally chartered and State chartered credit unions would become liable for payment of Federal corporate income taxes on their retained earnings but not on earnings distributed to depositors.

For a given addition to retained earnings, this tax exemption permits credit unions to pay members higher dividends and charge members lower interest rates on loans. Over the past 25 years, this tax exemption may have contributed to the more rapid growth of credit unions compared to other depository institutions.

Opponents of credit union taxation emphasize that credit unions provide many services free or below cost in order to assist low-income members. These services include small loans, financial counseling, and low-balance share drafts. They argue that the taxation of credit unions would create pressure to eliminate these subsidized services. But whether or not consumer access to basic depository services is a significant problem is disputed.

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	$785	$0
1999	$1,470	$0
2000	$1,550	$0
2001	$1,000	$0
2002	$1,020	$0
2003	$1,300	$0
2004	$1,270	$0
2005	$1,290	$0
2006	$1,320	$0
2007	$1,310	$0
2008	$1,140	$0
2009	$1,190	$0
2010	$1,230	$0
2011	$1,280	$0
2012	$1,330	$0
2013	$1,380	$0
2014	$1,430	$0

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

Rationale

Credit unions have never been subject to the Federal income tax. Initially, they were included in the provision that exempted domestic building and loan associations — whose business was at one time confined to lending to members — and nonprofit cooperative banks operated for mutual purposes. The exemption for mutual banks and savings and loan institutions was removed in 1951, but credit unions retained their exemption. No specific reason was given for continuing the exemption of credit unions.

In 1978, the Carter Administration proposed that the taxation of credit unions be phased in over a five-year period. In 1984, a report of the Department of the Treasury to the President proposed that the tax exemption of credit unions be repealed. In 1985, the Reagan Administration proposed the taxation of credit unions with over $5 million in gross assets. In the budget for fiscal year 1993, the Bush Administration proposed that the tax exemption for credit unions with assets in excess of $50 million be repealed. On March 16, 2004, Donald E. Powell, Chairman of the Federal Deposit Insurance Corporation, stated that “credit unions ought to pay taxes.” On November 3, 2005, the House Ways and Means Committee held a hearing on “Review of Credit Union Tax Exemption.” In the first session of the 110th Congress, the U.S. Treasury published two major studies concerning corporate tax reform: “Business Taxation and the Global Competitiveness,” and “Approaches to Improve the Competitiveness of the U.S. Business Tax System for the 21st Century.” Both of these studies recommended broadening the corporate tax base by repealing various business tax breaks including the tax exempt status of credit unions. Officials of the credit union industry argued that these Treasury reports were in conflict with a 2004 letter from President Bush stating his support for the credit union tax exemption.

Assessment

Supporters of the credit union exemption emphasize the uniqueness of credit unions compared to other depository institutions. Credit unions are nonprofit financial cooperatives organized by people with a common bond, which is a unifying characteristic among members that distinguishes them from the general public.

Credit unions are directed by volunteers for the purpose of serving their members. Consequently, the exemption’s supporters maintain that credit unions are member-driven while other depository institutions are profit- driven. Furthermore, supporters argue that credit unions are subject to certain regulatory constraints not required of other depository institutions and that these constraints reduce the competitiveness of credit unions. For example, credit unions may only accept deposits of members and lend only to members, other credit unions, or credit union organizations.

Proponents of taxation argue that deregulation has caused extensive competition among all depository institutions, including credit unions, and that the tax exemption gives credit unions an unwarranted advantage. Proponents of taxation argue that depository institutions should have a level playing field in order for market forces to allocate resources efficiently.

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All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Exclusion of Interest on State and Local Government Bonds for Private Nonprofit and Qualified Public Educational Facilities

All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Description

Interest income on State and local bonds used to finance the construction of nonprofit educational facilities (usually university and college facilities such as classrooms and dormitories) and qualified public educational facilities is tax exempt. These nonprofit organization bonds are classified as private-activity bonds rather than governmental bonds because a substantial portion of their benefits accrues to individuals or business rather than to the general public. For more discussion of the distinction between governmental bonds and private-activity bonds, see the entry under General Purpose Public Assistance: Exclusion of Interest on Public Purpose State and Local Debt.

Bonds issued for nonprofit educational facilities are not subject to the State volume cap on private activity bonds. This exclusion probably reflects the belief that the nonprofit bonds have a larger component of benefit to the general public than do many of the other private activities eligible for tax exemption. The bonds are subject to a $150 million cap on the amount of bonds any nonprofit institution can have outstanding.

Bonds issued for qualified public education facilities are subject to a separate State-by-State cap: the greater of $10 per capita or $5 million annually.

Impact

Since interest on the bonds is tax exempt, purchasers are willing to accept lower before-tax rates of interest than on taxable securities. These low interest rates enable issuers to finance educational facilities at reduced interest rates. Some of the benefits of the tax exemption also flow to bond- holders. For a discussion of the factors that determine the shares of benefits going to bondholders and users of the nonprofit educational facilities, and estimates of the distribution of tax-exempt interest income by income class, see the "Impact" discussion under

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	$145	$415
1999	$150	$440
2000	$130	$390
2001	$140	$400
2002	$140	$440
2003	$170	$610
2004	$210	$760
2005	$230	$850

General Purpose Public Assistance: Exclusion of Interest on Public Purpose State and Local Debt.

2006	$510	$1,630
2007	$550	$1,200
2008	$580	$1,290
2009	$600	$1,330
2010	$620	$1,360
2011	$640	$1,410
2012	$660	$1,450
2013	$680	$1,490

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

Rationale

An early decision of the U.S. Supreme Court predating the enactment of the first Federal income tax, Dartmouth College v. Woodward (17 U.S. 518 [1819]), confirmed the legality of government support for charitable organizations that provided services to the public. The income tax adopted in 1913, in conformance with this principle, exempted from taxation virtually the same organizations now included under Section 501(c)(3). In addition to their tax-exempt status, these institutions were permitted to receive the benefits of tax-exempt bonds under The Revenue and Expenditure Control Act of 1968. Almost all States have established public authorities to issue tax-exempt bonds for nonprofit educational facilities.

The interest exclusion for qualified public educational facilities was provided for in the Economic Growth and Tax Relief Reconciliation Act of 2001 and is intended to extend tax preferences to public school facilities which are owned by private, for-profit corporations. The school must have, however, a public-private agreement with the local education authority. The private-activity bond status of these bonds subjects them to more severe restrictions in some areas, such as arbitrage rebate and advance refunding, than would apply if they were classified as traditional governmental school bonds.

Assessment

Efforts have been made to reclassify nonprofit bonds as governmental bonds. Central to this issue is the extent to which nonprofit organizations are fulfilling their public purpose. Some argue that these entities are using their tax-exempt status to subsidize goods and services for groups that might receive more critical scrutiny if they were subsidized by direct federal expenditure.

As one of many categories of tax-exempt private-activity bonds, nonprofit educational facilities and public education bonds have increased the financing costs of bonds issued for more traditional public capital stock. In addition, this class of tax-exempt bonds has increased the supply of assets that individuals and corporations can use to shelter income from taxation.

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Nonprofits

Special BlueCross BlueShield Deduction

All text from: Congressional Research Service (CRS). “Tax Expenditures: Compendium of Background Materials on Individual Provisions.” December 2008. GPO: Washington DC.

Description

BlueCross and BlueShield and a number of smaller health insurance providers that existed on August 16, 1986, and other nonprofit health insurers that meet certain community-service standards receive special tax treatment. First, eligible health insurers are treated in the tax law as stock property and casualty insurance companies. Eligible organizations, however, can fully deduct unearned premiums, unlike other property and casualty insurance companies. Second, eligible companies may take a special deduction of 25 percent of the year’s health-related claims and expenses minus its accumulated surplus at the beginning of the year (if such claims and expenses exceed the accumulated surplus). For example, if an eligible health insurer had claims and related expenses of $150 million and an accumulated surplus of $110 million during a tax year, it could take a special deduction of $10 million (i.e., 25 percent of the difference between $150 million and $110 million). The special deduction is also known as the “three-month” deduction because when an eligible insurer’s health-related claims and expenses exceed its accumulated surplus, it may deduct a quarter of the difference for the year.

The special deduction only applies to net taxable income for the year and cannot be used in alternative minimum tax calculations. Therefore, net income for eligible organizations is subject to a minimum tax rate of 20 percent.

Impact

BlueCross BlueShield organizations traditionally provided community- rated health insurance. The special deduction for BlueCross BlueShield plans may help offset costs of providing high-risk and small-group coverage. The BlueCross BlueShield organizations are not owned by investors, so the special deduction could also benefit either their subscribers or all health insurance purchasers (through reduced premiums), their managers and employees (through increased compensation), or affiliated hospitals and physicians (through increased fees).

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	$210	$0
1999	$245	$0
2000	$230	$0
2001	$270	$0
2002	$300	$0
2003	$350	$0
2004	$400	$0
2005	$710	$0
2006	$620	$0

2007	$620	$0
2008	$640	$0
2009	$650	$0
2010	$660	$0
2011	$670	$0
2012	$680	$0
2013	$680	$0

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

Rationale

The "Blues" had been ruled tax-exempt by Internal Revenue regulations since their inception in the 1930s, apparently because they were regarded as community service organizations. The Tax Reform Act of 1986 removed BlueCross BlueShield plans' tax exemption because Congress believed that "exempt charitable and social welfare organizations that engage in insurance activities are engaged in an activity whose nature and scope is inherently commercial rather than charitable," and that "the tax-exempt status of organizations engaged in insurance activities provided an unfair competitive advantage." The 1986 Act, however, introduced the special deduction described above, in part because of their continuing, albeit more limited, role in providing community-rated health insurance. In particular, Section 833(c)2(c) links the special deduction for BlueCross BlueShield plans to the provision of high-risk and small-group coverage.

Assessment

Differences in price and coverage between the health insurance products offered by BlueCross and BlueShield plans and those offered by commercial insurers, in the view of Congress, have faded over time. Some of the plans have accumulated enough surplus to purchase unrelated businesses. Many receive a substantial part of their income from administering Medicare or self-insurance plans of other companies. Some have argued that these tax preferences have benefitted their managers and their affiliated hospitals and physicians more than their communities.

BlueCross and BlueShield organizations, however, retain a commitment to offer high-risk and small-group insurance coverage in their charters. Some continue to offer policies with premiums based on community payout experience ("community rated"). The tax exemption previously granted to the "Blues," as well as the current special deduction, presumably have helped support these community-oriented activities.

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Source: Congressional Research Service, Tax Expenditures: Compendium of Background Materials on Individual Provisions, December 2008, Washington, DC: U.S. Government Printing Office.

All text from: Congressional Research Service (CRS). “Tax Expenditures: Compendium of Background Materials on Individual Provisions.” December 2008. GPO: Washington DC.

Exclusion of Housing Allowances for Ministers

All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Description

Under an exclusion available for a "minister of the gospel," gross income does not include: (1) the fair rental value of a church-owned or church-rented home furnished as part of his or her compensation, or (2) a cash housing/furnishing allowance paid as part of the minister's compensation. The housing/furnishing allowance may provide funds for rental or purchase of a home, including down payment, mortgage payments, interest, taxes, repairs, furniture payments, garage costs, and utilities. Ministers receiving cash housing allowances also may claim deductions on their individual income tax returns for mortgage interest and real estate taxes on their residences even though such expenditures were allocable, in whole or in part, to tax-free receipt of the cash housing allowance. While excluded from income taxes, the fair rental value or cash housing/furnishing allowance is subject to Social Security payroll taxes.

Impact

As a result of the special exclusion provided for parsonage allowances, ministers receiving such housing allowances pay less tax than other taxpayers with the same or smaller economic incomes. The tax benefit of the exclusion also provides a disproportionately greater benefit to relatively better-paid ministers, by virtue of the higher marginal tax rates applicable to their incomes.

Further, some ministers claim income tax deductions for housing costs allocable to the receipt of tax-free allowances.

Tax Expenditure by fiscal year ($ millions)

	Corporations ($)	Individuals ($)
1998	$315	$0
1999	$320	$0
2000	$330	$0
2001	$350	$0
2002	$350	$0
2003	$380	$0
2004	$430	$0
2005	$460	$0
2006	$480	$0
2007	$510	$0
2008	$550	$0
2009	$580	$0
2010	$610	$0
2011	$640	$0

Rationale

The provision of tax-free housing allowances for ministers was first made a part of the Internal Revenue Code by passage of the Revenue Act of 1921 (P.L. 98 of the 67th Congress), without any stated reason. The original rationale may reflect the difficulty of placing a value on the provision of a church-provided rectory. Since some churches provided rectories to their ministers as part of their compensation, while other churches provided a housing allowance, Congress may have wished to provide equal tax treatment to both groups. Another suggested rationale is that originally the provision was provided in recognition of the clergy as an economically deprived group with low incomes.

2012	$670	$0
2013	$700	$0

Source: Analytical Perspectives, President's Fiscal Year Budget, 2007-2010. Numbers provided are from the most recent estimate.

The Internal Revenue Service reversed a 1962 ruling (Ruling 62-212) in 1983 (Revenue Ruling 83-3) providing that, to the extent of the tax-free housing allowance, deductions for interest and property taxes may not be itemized as a tax deduction. This change was based on the belief that it was unfair to allow tax-free income to be used to generate individual itemized deductions to shelter taxable income.

In the Tax Reform Act of 1986 (P.L. 99-514), Congress reversed the IRS ruling because the tax treatment had been long-standing, and some Members were concerned that the IRS might treat tax-free housing allowances provided to U.S. military personnel similarly.

The Internal Revenue Service's position (Revenue Ruling 71-280) is that the exclusion may not exceed the fair rental value of the home plus the cost of utilities. The Tax Court held that amounts used to provide a home are excludable even if the amount received exceeds the fair market rental value of the home (Richard D. Warren, et ux. v. Commissioner; 114 T.C. No. 23 (May 16, 2000)). In that case, 100 percent of compensation was designated as a housing allowance ($77,663 in 1993, $76,309 in 1994, and $84,278 in 1995). The court dismissed the IRS's argument that its position prevents unequal treatment between ministers for whom housing is provided and excluded and those ministers receiving a rental allowance. That decision was appealed to the Ninth Circuit Court of Appeals, which directed parties to submit briefs on whether the court should address the constitutionality of the parsonage exclusion.

In order to forestall action by the Ninth Circuit by making the underlying issue in the Warren case moot, Congress clarified the parsonage housing tax allowance with passage of the Clergy Housing Allowance Clarification Act of 2002 (P.L. 107-181). In large part Congress adopted the more conservative IRS position such that the "allowance does not exceed the fair rental value of the home, including furnishings and appurtenances such as a garage, plus the cost of utilities." The Act says that it is intended to "minimize government intrusion into internal church operations and the relationship between a church and its clergy" and "recognize that clergy frequently are required to use their homes for purposes that would otherwise qualify for favorable tax treatment, but which may require more intrusive inquiries by the government into the relationship between clergy and their respective churches with respect to activities that are inherently religious."

Assessment

The tax-free parsonage allowances encourage some congregations to structure maximum amounts of tax-free housing allowances into their minister's pay and may thereby distort the compensation package.

The provision is inconsistent with economic principles of horizontal and vertical equity. Since all taxpayers may not exclude amounts they pay for housing from taxable income, the provision violates horizontal equity principles. For example, a clergyman teaching in an affiliated religious school may exclude the value of his housing allowance whereas a teacher in the same school may not. This example shows how the tax law provides different tax treatment to two taxpayers whose economic incomes may be similar.

Ministers with higher incomes receive a greater tax subsidy than lower- income ministers because of their higher marginal tax rates. Vertical equity is a concept which requires that tax burdens be distributed fairly among people with different abilities to pay. The disproportionate benefit of the tax exclusion to individuals with higher incomes reduces the progressivity of the tax system, which is viewed as a reduction in equity.

Ministers who have church-provided homes do not receive the same tax benefits as those who purchase their homes and also have the tax deductions for interest and property taxes available to them. Code Section 265 disallows deductions for interest and expenses which relate to tax-exempt income except in the case of military housing allowances and the parsonage allowance. As such, this result is inconsistent with the general tax policy principle of preventing double tax benefits.

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All text from: Congressional Research Service (CRS). "Tax Expenditures: Compendium of Background Materials on Individual Provisions." December 2008. GPO: Washington DC.

Loans, Loan Guarantees and Other Risk Transfers in the Nonprofit Sector

The federal government subsidizes certain activities by assuming financial risk that would otherwise be borne by individuals, businesses or other organizations. Subsidyscope's review of federal data shows that at least $7 billion in loans, through 12 federal direct loan programs and $284 million in loan guarantees, through four federal programs, went to nonprofits in fiscal year 2008, providing subsidies of at least $96 million and $18 million respectively.[1]

Subsidyscope refers to this method of providing subsidies as a "risk transfer." By transferring risk from others to itself, the federal government encourages people to undertake activities they may not otherwise carry out. Such risk transfers are typically accomplished through government credit and insurance programs, such as the student loan program and federal deposit insurance.

The extent of a subsidy received under a credit or insurance program generally is the difference between the terms the recipient would get in a competitive market and those offered by the government. (See the discussion here for more detail on federal credit and insurance programs.) Federal direct loans and loan guarantees often operate similarly to tax expenditures in that there are multiple beneficiaries of this type of subsidy.

Some nonprofit organizations receive federal loans directly. For instance, nonprofit electric utilities receive loans from the U.S. Department of Agriculture's Rural Development Electric Program (listed as Rural Electrification Loans and Loan Guarantees in Table 1 below). In other cases, the nonprofit may be a lender and the federal government guarantees payment of the loan on behalf of the borrower. For example, if a nonprofit organization provides a loan for a low-income family to buy a home and that loan is guaranteed by the federal government, it contains a subsidy. In both of these cases, the risk transfer benefits both the nonprofit and the family that receives the home paid for with a government guarantee.

Collecting federal data on risk transfer programs that benefit nonprofits is not a straightforward task. A recent Government Accountability Office (GAO) analysis indicates that records found at USAspending.gov for risk transfer programs are of particularly poor quality. GAO notes that amounts of loans or loan guarantees may not be consistently captured, federal agency staff may not be consistently marking funds as going to nonprofits and there may be missing data.[2] For example, GAO notes that some agencies only report loan guarantees when a default occurs,[3] which is a practice that will clearly lead to an understatement of federal subsidy costs.

Based on GAO's assessment and our own analysis, Subsidyscope considers the results we present to underestimate the cost of subsidies provided to nonprofit organizations. First, the government does not include the cost of administering the loan (though this cost is accounted for elsewhere in the budget, it is not included in the subsidy cost of the credit). Second, the government—using methods required under credit reform legislation—does not include the cost of risk when calculating net present value. (See the discussion here on how the government calculates loan subsidies.) Further, Subsidyscope does not include loans or loan guarantees for students attending higher education institutions that may indirectly benefit nonprofit educational institutions, nonprofit third party lenders and nonprofit guarantors of student loans. (Subsidyscope will present more detail on student loans and loan guarantees when we examine the Education Sector in 2011.)

Table 1 below provides a list of programs through which the federal government made direct loans and loan guarantees to nonprofit organizations in fiscal year 2008. Tables 2 and 3 provide the number of loans or guarantees in each program, the total amount of those loans or guarantees and the government estimate of the total subsidy involved. Subsidyscope provides these data because they are the best available federal data on government risk transfers benefitting the nonprofit sector.

Table 1: Loans and Loan Guarantee Programs to Nonprofit Organizations, FY08

Program #	Catalog of Federal Domestic Assistance (CFDA) Program Name
LOANS	
10.051	Commodity Loans and Loan Deficiency Payments
10.405	Farm Labor Housing Loans and Grants
10.411	Rural Housing Site Loans and Self-Help Housing Land Development Loans
10.415	Rural Rental Housing Loans
10.447	Meat, Poultry, and Egg Products Inspection
10.449	Boll Weevil Eradication Loan Program
10.760	Water and Waste Disposal Systems for Rural Communities
10.766	Community Facilities Loans and Grants
10.767	Intermediary Relending Program
10.850	Rural Electrification Loans and Loan Guarantees
10.851	Rural Telephone Loans and Loan Guarantees
10.854	Rural Economic Development Loans and Grants
84.268	Federal Direct Student Loans
LOAN GUARANTEES	
10.438	Section 538 Rural Rental Housing Guaranteed Loans
10.760	Water and Waste Disposal Systems for Rural Communities
10.766	Community Facilities Loans and Grants
10.855	Distance Learning and Telemedicine Loans and Grants

Source: Subsidyscope selection of loan and loan guarantee programs in USAspending.gov marked as going to nonprofit recipients (excludes student loan programs).

Table 2: Direct loans to Nonprofit Organizations, FY08

CFDA Program Name	Loans (#)	Total Loan Amount ($ thousands)	Total Subsidy Amount ($ thousands)
Rural Electrification Loans and Loan Guarantees	179	$6,496,428	$45,066

Water and Waste Disposal Systems for Rural Communities	190	$197,961	$22,211
Rural Telephone Loans and Loan Guarantees	10	$178,110	$953
Community Facilities Loans and Grants	190	$170,745	$9,476
Boll Weevil Eradication Loan Program	8	$47,000	$208
Rural Economic Development Loans and Grants	53	$33,142	$7,487
Meat, Poultry, and Egg Products Inspection	61	$15,347	$4,731
Rural Rental Housing Loans	28	$10,725	$4,570
Commodity Loans and Loan Deficiency Payments	48	$6,985	$0
Intermediary Relending Program	4	$2,559	$1,097
Rural Housing Site and Self-Help Housing Loans	3	$1,800	$16
Farm Labor Housing Loans and Grants	5	$1,047	$453
Total	**779**	**$7,161,849**	**$96,268**

Source: Subsidyscope analysis of data from USAspending.gov. Data retrieved by selecting all loans that were marked as going to nonprofit organizations in FY08 (excludes student loan programs).

Table 3: Loan Guarantees Provided to Nonprofit Organizations, FY08

CFDA Program Name	Loan Guarantees (#)	Total Loan Amount ($ thousands)	Total Subsidy Amount ($ thousands)
Community Facilities Loans and Grants	87	$147,487	$5,428
Section 538 Rural Rental Housing Guaranteed Loans	117	$131,871	$12,396
Water/ Waste Disposal Systems for Rural Communities	9	$3,977	$33
Distance Learning and Telemedicine Loans and Grants	1	$800	$17
Total	**214**	**$284,135**	**$17,874**

Source: Subsidyscope analysis of data from USAspending.gov. Data retrieved by selecting all loan guarantees that were marked as going to nonprofit organizations in FY08 (excludes student loan guarantee programs).

1. *Subsidyscope analysis of data from USAspending.gov (formerly Federal Assistance Award Data System). See Tables 2 and 3 for calculations.*
2. *Government Accountability Office (GAO). "Significant Federal Funds Reach the Sector through Various Mechanisms, but More Complete and Reliable Funding Data Are Needed." February 2009. Washington DC. p. 21.*
3. *Ibid., 17.*

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