

Upfront

Remembering the Little Guy IRS data may be less faulty than feared

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SECTOR DATA

Remembering the Little Guy

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Previous studies have suggested that U.S. Internal Revenue Service data missed 80 to 90 percent of smaller, grassroots associations. From an economic perspective, given the small scale of these nonprofits, the impact of the omission was considered marginal. However, some argued that the omission presented a distorted view of the nonprofit sector.

But according to a new study, small nonprofits – such as barbershop quartets, Alcoholics Anonymous groups, folk dance societies, and quilt-making

clubs – may be more accurately reflected than previously thought.

To find out just how much the IRS data missed the little guys, George Mason University professor Stefan Toepler compared IRS listings with arts and cultural nonprofits he was able to track down independently in Montgomery County, Md. Toepler compiled his list from the mailing list of the local arts council, grantees of the county humanities awards, and names provided by city arts agencies. He compared his list with IRS lists

from Statistics of Income Sample and the Business Master File.

Small organizations make up the vast majority of all county nonprofits, accounting for more than 70 percent of the field. They did not, however, escape IRS data sources. Rather, almost one-half of the small organizations were captured by the IRS.

“The case does not lend strong support to the argument that current nonprofit sector statistics are grossly misleading,” concluded Toepler.

The study, “Grassroots Associations Versus Larger Nonprofits: New Evidence from a Community Case Study in Arts and Culture,” was published last June in the *Nonprofit and Voluntary Sector Quarterly* (vol. 32, no. 2). —Andrew Nelson