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What is a "Nonprofit"?

Charitable nonprofits embody the best of America. They provide a way for people to work together for the common good, transforming shared beliefs and hopes into action. They give shape to our boldest dreams, highest ideals, and noblest causes. America's 1.3 million charitable nonprofits feed, heal, shelter, educate, inspire, enlighten, and nurture people of every age, gender, race, and socioeconomic status, from coast to coast, border to border, and beyond. They foster civic engagement and leadership, drive economic growth, and strengthen the fabric of our communities. Every single day.

The word "nonprofits"

The term "nonprofit" means different things to many different people. It's a commonly used word without a common understanding between writer and reader. People often use the words "nonprofit" and "tax exempt" interchangeably. Congress has created almost three dozen types of tax-exempt organizations in different sections of the tax code. These include Section 501(c)(4) (social welfare organizations, homeowners associations, and volunteer fire companies), Section 501(c)(5) (includes labor unions), Section 501(c)(6) (includes chambers of commerce), and Section 501(k) (child care organizations). Each section identifies certain conditions that must be met to be exempt from paying federal income taxes. The one common condition is not paying out profits ("no part of the organization's net earnings can inure to the benefit of any private shareholder or individual");

hence the term, “nonprofit.” Section 501(c)(3) of the tax code refers to “public charities” (also known as charitable nonprofits) and “private foundations.” The tax code considers “churches and religious organizations” (which the IRS defines to include mosques, synagogues, temples, and other houses of worship) to be “public charities.”

The figures below illustrate how the numbers of nonprofits that operate in different states covers quite a range. (Source: IRS)

Nonprofits Per Thousand People

Flourish

Number of Nonprofits by State

Flourish

Source: IRS Business Master Files, Revenue Transaction Files, and electronic (e-File) Form 990 returns processed for fiscal years ending circa 2016 (June 2018). Research by DataLake llc Nonprofit Research (datalake.net).