

The Essential Pillars and Purpose of American Associations

Due to the COVID-19 pandemic and closures, nearly every sector of the American economy has struggled to meet basic expenses such as payroll and rent, necessitating unprecedented legislative relief measures from the U.S. Congress. Throughout 2020, however, and despite their critical importance to the industries and professions that drive economic growth, nonprofit associations were one of the few economic sectors left without a financial safety net during this crisis. ***This document is intended to correct misconceptions about nonprofit associations and their purpose and function in the economy and society at large.***



Pillar 1

Associations began prior to our nation's inception and remain a foundational instrument of American economy, society and democracy.

Although associations are formed for a wide range of purposes, the Internal Revenue Service (IRS) – the federal agency tasked with oversight and enforcement of the tax-exempt sector – broadly defines associations as “a group of persons banded together for a specific purpose.” People and companies voluntarily join associations because they want to ***work together toward a common cause.***

The first American settlers formed “guilds,” patterned after British traditions, to address common challenges and support each other’s work and lifestyle. ***The first American trade association, the Philadelphia House Carpenters, was formed in 1724.*** America’s first scientific society, the American Philosophical Society, was founded by Benjamin Franklin in 1743, and is still in existence today. ***Associations’ activities have shaped and advanced America since its birth*** and have historically set America apart from many other nations (although associations or “non-governmental organizations” are now growing internationally as well). By 1835, when noted French political thinker and historian Alexis de Tocqueville published *Democracy in America*, associations had become prevalent and effective contributors to the so-called *American way*. “Americans of all ages, all conditions, and all dispositions constantly form associations,” de Tocqueville wrote. “Wherever at the head of some new undertaking you see the government in France, or a man of rank in England, in the United States you will be sure to find an association.”

Congress first gave associations favored tax treatment largely ***in recognition of their public benefits.*** In simple terms, associations earn their tax-exempt status by satisfying many of the needs of various industries, professions and the general public that otherwise would fall to the government.



Pillar 2

Associations contribute in direct and significant ways to U.S. economic stability and societal advancement.

Labor statistics demonstrate that associations are strong employers who pay above average wages and help facilitate the continuing education of the American workforce. In 2019 there were ***62,700 trade and professional associations*** on record with the IRS. According to IRS 990 filings, these associations have a total revenue of ***\$53 billion.***¹ According to Bureau of Labor Statistics data, these associations employ more than 205,000 people nationwide.²

Despite their tax-exempt status, associations are by no means exempt from all taxes and, in fact, **contribute substantially to national, state and local revenue** across the country. Among the taxes associations pay are federal payroll taxes (Social Security, Medicare, and unemployment), state and local unemployment taxes, real estate taxes, personal property taxes, sales and use taxes, franchise taxes, taxes on lobbying activities and taxes on unrelated business income (UBIT).

Associations also drive the meetings and conventions sector, which generates **\$330 billion annually** in the U.S., according to the Events Industry Council's Meetings Significance Study of 2018. Globally, business meetings and events involve more than 1.5 billion participants across more than 180 countries, generate more than \$1 trillion in direct spending and support 10.3 million jobs.³



Pillar 3

Associations engage in a wide variety of activities that benefit industries, professions and workers through far-reaching career and economic development programs.

Associations benefit industries, professions, workers and consumers in many ways:

- Associations are the **primary source of post-college education and skills training** for America's workforce. Fifty-seven million adults in America take formal work-related courses or training each year, and more than 69 percent of those individuals receive those training courses from either a private business or a professional association.⁴
- Associations **create product service standards** for everything from children's toys to building construction. From the mattresses we sleep on to the food that we put on our dinner tables, standard setting in the U.S. has historically been a process driven by the private sector, with the government in a supporting and guiding role.
- Associations also define and advance standards for professional certification, performance and ethical practices in a wide variety of fields, **ensuring consumers have confidence in the experts they consult** for their health, financial wellness, legal needs and other vital concerns.
- **Associations also foster volunteerism**, sponsoring community programs and lending assistance in moments of great need such as after natural disasters or during the current pandemic.



Pillar 4

Associations, alongside any American individual, organization or business, reserve their Constitutional right to lobby the government as provided for by the First Amendment in the Bill of Rights.

The **First Amendment to the U.S. Constitution** guarantees basic freedoms and states that "Congress shall make no law respecting an establishment of religion, or prohibiting the free exercise thereof; or abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to **petition the Government for a redress of grievances.**"

Associations stand alongside all Americans in their Constitutional right to lobby as an essential function of American democracy. All voices should have opportunities to be heard in the political process. Associations help ensure their industry or profession carries a collective voice and that lawmakers fully understand the issues and communities they govern. Associations, which spend an average of about five percent of total resources on lobbying and political activity,⁵ are repositories of industry or profession-specific expertise and knowledge and serve as a vital resource for policymakers who craft legislation or regulatory policy. This function **benefits the public interest** to help ensure that public policy is directionally correct and beneficial to the American economy and society at large.

¹ IRS Data Book 2019. North American Industry Classification System (NAICS). U.S. Census Bureau.

² Bureau of Labor Statistics. 2018 Annual Averages. Quarterly Census of Employment and Wages (QCEW).

³ Events Industry Council. Global Economic Significance of Business Events. November 2018.

⁴ IRS Data Book 2016. NAICS (North American Industry Classification System). U.S. Census Bureau.

⁵ ASAE Research Foundation. 2016 Association Operations Ratio Report.