

## Income and Outlays of Households and of Nonprofit Institutions Serving Households

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IN the national income and product accounts (NIPA's), the personal sector comprises households and nonprofit institutions serving households (NPISH's). Since households and NPISH's are likely to differ in their circumstances and behavior, separate estimates of their income and outlays are of interest to many users of the NIPA's. As part of the comprehensive revision of the NIPA's scheduled for late 2003, BEA plans to introduce two new annual tables—one that provides separate estimates of the income and outlays of the household component and of the NPISH component of the personal sector and another that reconciles the new estimates for NPISH's to estimates in the Internal Revenue Service's (IRS) *SOI Bulletin*. The other NIPA tables will continue to show estimates for the personal sector, which consolidates households and NPISH's. This article provides background information on the new tables and presents some preliminary estimates.

The new estimates will help to distinguish the saving behavior of households and NPISH's in analyses of personal saving. They can also be used to answer questions about the importance of the nonprofit sector in the U.S. economy or in the provision of particular kinds of services, such as health care and recreation. The estimates of transactions between the household sector and the nonprofit institution sector can help to answer questions about the sources of revenue for NPISH's, including charitable giving, and about the NPISH's use of this revenue. Finally, the *System of National Accounts 1993*, which specifies international guidelines for preparing national accounts, places households and NPISH's in separate sectors.<sup>1</sup> The separate estimates for the household and NPISH

sectors will therefore aid in comparisons of the United States with other countries.

### Definition of NPISH's

An important criterion for classifying an organization as an NPISH is tax-exempt status, but many kinds of tax-exempt organizations do not qualify for treatment as an NPISH in the NIPA's. Some nonprofit institutions—such as chambers of commerce, trade associations, and homeowners' associations—are considered to serve businesses rather than households. These nonprofit institutions serving business are included in the business sector in the NIPA's. Some other nonprofit institutions that sell goods and services in the same way as for-profit businesses are also classified in the business sector. For example, tax-exempt cooperatives, credit unions, mutual financial institutions, and tax-exempt manufacturers—such as university presses—are treated as businesses.

The nonprofit institutions that are recognized as NPISH's provide services in one of the following five categories:

1. Religious and welfare, including social services, grant-making foundations, political organizations, museums and libraries, and some civic and fraternal organizations;
2. Medical care;
3. Education and research;
4. Recreation, including cultural, athletic, and some civic and fraternal organizations; and
5. Personal business, including labor unions, legal aid, and professional associations.

Almost all public charities are included in the first three categories, but a few are in the last two categories.

1. See Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and the World Bank, *System of National Accounts 1993* (Brussels/Luxembourg, New York, Paris, and Washington, DC, 1993).

*The authors are indebted to Helen Stone Tice, an economist whose work while she was at BEA provided much of the conceptual groundwork for the research presented in this paper.*

**Table 1. NAICS Industries with Nonprofit Activity in Personal Consumption Expenditures, 1997**

| 1997 NAICS code | Description  | Percent of private industry output that comes from NPISH's |
|-----------------|--|--|
| 513             | Broadcasting and telecommunications .....  | 0.4  |
| 514             | Information and data processing services .....   | 1.9  |
| 541             | Professional, scientific and technical services .....                                      | 1.9  |
| 611             | Education services .....   | 83.1   |
| 621             | Ambulatory health care services .....  | 11.1   |
| 622             | Hospitals .....  | 85.0   |
| 623             | Nursing and residential care facilities .....  | 38.0   |
| 624             | Social assistance .....  | 64.4   |
| 711             | Performing arts, spectator sports, and related industries .....                            | 8.8  |
| 712             | Museums, historical sites, and similar institutions .....                                  | 89.0   |
| 713             | Amusement, gambling, and recreation industries .....                                       | 11.1   |
| 721             | Accommodations .....   | 0.5  |
| 813             | Religious, grant-making, civic, professional, and similar organizations <sup>1</sup> ..... | 89.9   |

1. Excludes business associations, which are nonprofit institutions serving business.  
 NAICS North American Industry Classification System  
 NPISH Nonprofit institutions serving households

Table 1 shows the industries in the North American Industrial Classification System (NAICS) that contain NPISH's. NPISH's account for more than half of the output in the following industries: Education; hospitals; social assistance; museums, historical sites, and similar institutions; and religious, grant-making, civic, professional, and similar organizations.

### Measurement of output and income of NPISH's

Most of the output of NPISH's is considered to be purchased by persons, and the personal consumption expenditures (PCE) component of gross domestic product (GDP) includes the value of this output. The output of NPISH's is valued at its cost of production, an approach that distinguishes the treatment of NPISH's from the treatment of businesses in the NIPA's. Business output that is sold to customers is valued at the amount that they pay.

For businesses, sales generally exceed operating expenses, which include compensation of employees, purchases of intermediate inputs, indirect business taxes, and consumption of fixed capital (depreciation). For NPISH's, on the other hand, the relationship between sales and expenses is often the reverse: receipts from sales of program services are usually not expected to cover operating expenses. Instead, most nonprofit institutions rely on contributions, government grants, or dividend and interest income to cover at least a portion of their operating expenses. Because revenues from sales of services may be far below the cost of producing the services, sales are not a good measure of the value of NPISH output. However, the expenses that NPISH's incur to produce their output are a meaningful measure of the value of this output.<sup>2</sup>

The treatment of the income that helps NPISH's to fund the gap between their expenses and their sales depends on its source and nature. Transfers that NPISH's

2. See Paula Cullen Young, "Nonprofit Institutions in an Input-Output Framework," *Voluntas* 4 (February 1993): 465-485.

receive from households—or make to them—are excluded from personal income because they are intra-sector transfers in the consolidated accounts of households and NPISH's. On the other hand, transfers that NPISH's receive from business and government are included in personal income, as is the property income that NPISH's receive as rental income, dividends, and interest.<sup>3</sup>

The primary data sources used for the NIPA's do not provide separate measures of the property income of NPISH's and the property income of households. In the NIPA's, personal income from dividends, interest, and tenants' rents are calculated as residuals on the basis of accounting identities. Personal dividend income is measured as dividends paid by domestic corporations, plus dividends paid by foreign corporations to U.S. residents, less dividends received by domestic corporations from U.S. and foreign businesses and by foreign residents from U.S. businesses, less dividends received by government. Personal interest income is measured as interest paid by domestic business, government, persons, and the rest of the world less interest received by domestic business, government, and the rest of the world. Personal rental income received from tenant-occupied housing is measured by subtracting an estimate of the amount received by business and government from an estimate of total rental income from tenant-occupied structures.<sup>4</sup> Our estimates of the share of personal income attributable to NPISH's must therefore depend on additional sources, such as data from the *SOI Bulletin*.

### Data sources

The primary sources of data used to estimate the expenditures of nonprofit institutions included in PCE are the Census Bureau's quinquennial economic census and annual economic surveys that collect information on the expenses of NPISH's.<sup>5</sup> In addition, a few kinds of NPISH's—such as labor organizations, political organizations, religious organizations, and educational organizations other than technical and trade schools—are not covered in Census Bureau surveys. Estimates of their expenses come from alternative data

3. Note that capital gains are not part of the income concept that the NIPA's measure. See Maria G. Perozek and Marshall B. Reinsdorf, "Alternative Measures of Personal Saving," *SURVEY OF CURRENT BUSINESS* 82 (April 2002): 13-24.

4. For additional information, see "Updated Summary Methodologies," *SURVEY* 82 (October 2002): 20-38. See also U.S. Bureau of Economic Analysis, *State Personal Income, 1929-97* (Washington, DC: U.S. Government Printing Office, May 1999).

5. For a description of how these data are used to create the estimates, see U.S. Bureau of Economic Analysis, *Personal Consumption Expenditures*, Methodology paper no. 6 (Washington, DC: U.S. Government Printing Office, June 1990), and "Updated Summary Methodologies," 20-38. The Census Bureau occasionally uses data from administrative sources, including the IRS, to fill in missing information about NPISH's.

sources, such as the National Center for Education Statistics, the National Council of Churches, and the Bureau of Labor Statistics. Estimates of transfer payments by households and nonprofit institutions to the rest of the world (which are not part of PCE but are part of personal outlays) are from the international transactions accounts.

Additional data sets that help to complete the new estimates of the NPISH sector and to improve their accuracy have also recently become available. The National Center for Charitable Statistics at the Urban Institute has produced data sets based on the information that tax-exempt institutions file with the IRS. These data sets include information on the type of service that the nonprofit institution performs, which is important for identifying the tax-exempt institutions that belong in the NPISH sector. Further, the American Association of Fundraising Council Trust for Philanthropy produces estimates of transfers and bequests from households to nonprofit institutions based on surveys and tax data. Finally, at least two surveys of charitable contributions to religious organizations have been primarily sponsored by the Lilly Endowment, Inc., and conducted by the Independent Sector—one in 1992 and a second in 1998.

### Preliminary estimates of income and outlays

On average, from 1992 to 2001, over 50 percent of the expenditures of nonprofit institutions were for the provision of medical care, about 25 percent were for religious and welfare activities, and almost 15 percent were for the provision of education (chart 1). These shares vary only slightly over the years.

Table 2 provides preliminary estimates of the income and outlays of NPISH's and households from 1992 to 2001. These estimates do not reflect additional data that will be available in the upcoming comprehensive revision of the NIPAs. For comparison, the first panel of table 1 (lines 1–16) reproduces the income and outlays of the personal sector published in NIPA table 2.1. Corresponding items for the household portion of the personal sector appear in the second panel (lines 17–37), and estimates for NPISH's appear in the third panel.

Receipts from sales of program services (line 45) generally cover more than three-fourths of the expenses of nonprofit institutions (line 49), but this ratio declined slightly in 1998–2001. Medical care providers whose fees cover much of their costs are an important reason for the high expense-coverage ratio.

In table 2, the sum of household income (line 17) and the receipts of NPISH's (line 38) is larger than personal income (line 1) because one item in household income—transfers from NPISH's—and two items in

the receipts of NPISH's—transfers from households and sales by NPISH's of program services—are removed when households and NPISH's are consolidated into a single sector.<sup>6</sup> The sum of household saving and NPISH saving does, however, equal personal saving. The transfers between households and NPISH's have no effect on the combined saving of these two sectors, because they count both as income and as outlays. The sales to households by NPISH's have no effect on the combined saving of these sectors, because they add the same amount to NPISH saving as they subtract from household saving.<sup>7</sup>

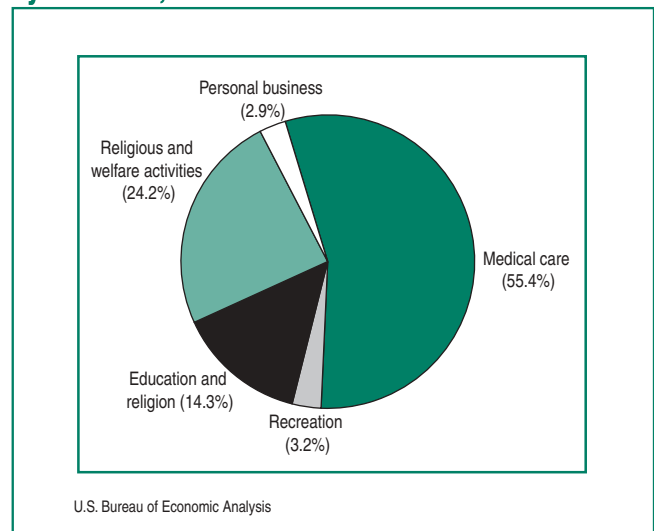
The preliminary estimates in table 2 suggest that households alone are responsible for the decline in personal saving from 1992 to 1998 but that NPISH's play an important role in the decline thereafter. From 1998 to 2001, NPISH saving dropped by more than \$15 billion as the gap between the expenses and the sales of nonprofit institutions grew from \$125.4 billion to \$166.9 billion.<sup>8</sup> The use of capital gains to help fund

6. The household portion of personal income consists of transfers from government or business, wages and salaries, benefits, proprietors' income, rental income, interest, and dividends. Pension plan reserves and life insurance reserves are considered to be owned by persons.

7. Sales to business and government by NPISH's are excluded from their receipts and subtracted from their expenses in table 2 because these sales are not included in PCE.

8. Under the assumption of no change in investment in tangible assets, table F.100a in the Federal Reserve Board's flow of funds accounts also implies an abrupt drop in saving by nonprofit institutions. It shows that net investment in financial assets less liabilities by nonprofit institutions fell from \$48–\$86 billion in 1994–96 to less than \$10 billion in 1997–99. Unlike the NPISH sector in the NIPAs, the nonprofit sector covered by table F.100a includes nonprofit institutions serving business and excludes religious institutions.

**Chart 1. Average Shares of Expenditures of Nonprofit Institutions Serving Households by Function, 1992–2001**



operations probably played a role in the decline in saving.

A comparison of line 58 to line 1 in table 2 shows that less than 1 percent of personal income is received by NPISH's from business, government, or the rest of the world. However, the income received by NPISH's that is included in personal income is not a meaningful indicator of their importance in the personal sector,

because it excludes the large amounts that NPISH's receive from households as transfers or as payments for services. Measured by the operating expenses on line 49, services of NPISH's constitute nearly 10 percent of PCE. In addition, some nonprofit institutions have sales from secondary activities (such as a restaurant operated by a golf club or by a hospital) and sales to business and government. These sales, which generally

**Table 2. Preliminary Estimates of Personal Income and Its Disposition by Type, 1992–2001**

[Billions of dollars]

| Line            |  | 1992    | 1993    | 1994    | 1995    | 1996    | 1997    | 1998    | 1999    | 2000    | 2001    |
|-----------------|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 1               | Personal income.....   | 5,390.4 | 5,610.0 | 5,888.0 | 6,200.9 | 6,547.4 | 6,937.0 | 7,426.0 | 7,786.5 | 8,406.6 | 8,685.3 |
| 2               | Wage and salary disbursements.....   | 2,982.6 | 3,085.2 | 3,236.7 | 3,424.7 | 3,626.5 | 3,888.9 | 4,192.8 | 4,470.4 | 4,836.3 | 4,950.6 |
| 3               | Other labor income.....  | 449.5   | 482.8   | 507.5   | 497.0   | 490.0   | 475.4   | 490.6   | 510.2   | 544.2   | 570.4   |
| 4               | Proprietors' income with inventory valuation and capital consumption adjustments.....  | 434.3   | 461.8   | 476.6   | 497.7   | 544.7   | 581.2   | 623.8   | 678.4   | 714.8   | 727.9   |
| 5               | Rental income of persons with capital consumption adjustment.....                      | 63.3    | 90.9    | 110.3   | 117.9   | 129.7   | 128.3   | 138.6   | 149.1   | 146.6   | 137.9   |
| 6               | Personal dividend income.....  | 185.3   | 203.0   | 234.7   | 254.0   | 297.4   | 334.9   | 348.3   | 328.0   | 375.7   | 409.2   |
| 7               | Personal interest income.....  | 750.1   | 725.5   | 742.4   | 792.5   | 810.6   | 864.0   | 964.4   | 969.2   | 1,077.0 | 1,091.3 |
| 8               | Transfer payments to persons.....  | 751.7   | 798.6   | 833.9   | 885.9   | 928.8   | 967.2   | 983.7   | 1,018.5 | 1,070.3 | 1,170.4 |
| 9               | Less: Personal contributions for social insurance.....                                 | 226.6   | 237.8   | 254.1   | 268.8   | 280.4   | 297.9   | 316.3   | 337.4   | 358.4   | 372.3   |
| 10              | Less: Personal tax and nontax payments.....  | 635.8   | 674.6   | 722.6   | 778.3   | 869.7   | 968.8   | 1,070.4 | 1,159.1 | 1,286.4 | 1,292.1 |
| 11              | Equals: Disposable personal income.....  | 4,754.6 | 4,935.3 | 5,165.4 | 5,422.6 | 5,677.7 | 5,968.2 | 6,355.6 | 6,627.4 | 7,120.2 | 7,393.2 |
| 12              | Less: Personal outlays.....  | 4,340.9 | 4,584.5 | 4,849.9 | 5,120.2 | 5,405.6 | 5,715.3 | 6,054.1 | 6,453.3 | 6,918.6 | 7,223.5 |
| 13              | Personal consumption expenditures.....   | 4,209.7 | 4,454.7 | 4,716.4 | 4,969.0 | 5,237.5 | 5,529.3 | 5,856.0 | 6,246.5 | 6,683.7 | 6,987.0 |
| 14              | Interest paid by persons.....  | 118.7   | 115.4   | 117.9   | 134.7   | 149.9   | 164.8   | 173.7   | 179.5   | 205.4   | 205.4   |
| 15              | Personal transfer payments to the rest of the world (net).....                         | 12.5    | 14.4    | 15.6    | 16.5    | 18.2    | 21.2    | 24.3    | 27.3    | 29.5    | 31.1    |
| 16              | Equals: Personal saving.....   | 413.7   | 350.8   | 315.5   | 302.4   | 272.1   | 252.9   | 301.5   | 174.0   | 201.5   | 169.7   |
| 17              | Household Income.....  | 5,364.0 | 5,579.3 | 5,851.5 | 6,161.1 | 6,505.0 | 6,892.1 | 7,384.8 | 7,746.6 | 8,370.1 | 8,647.2 |
| 18              | Wage and salary disbursements.....   | 2,982.6 | 3,085.2 | 3,236.7 | 3,424.7 | 3,626.5 | 3,888.9 | 4,192.8 | 4,470.4 | 4,836.3 | 4,950.6 |
| 19              | Other labor income.....  | 449.5   | 482.8   | 507.5   | 497.0   | 490.0   | 475.4   | 490.6   | 510.2   | 544.2   | 570.4   |
| 20              | Proprietors' income with inventory valuation and capital consumption adjustments.....  | 434.3   | 461.8   | 476.6   | 497.7   | 544.7   | 581.2   | 623.8   | 678.4   | 714.8   | 727.9   |
| 21              | Rental income of households with capital consumption adjustment.....                   | 62.1    | 89.5    | 108.8   | 116.2   | 127.9   | 126.3   | 136.5   | 147.2   | 144.8   | 136.2   |
| 22              | Household dividend income.....   | 175.0   | 191.5   | 222.3   | 239.3   | 281.2   | 320.0   | 334.2   | 316.0   | 365.7   | 398.3   |
| 23              | Household interest income.....   | 729.5   | 706.0   | 721.1   | 768.2   | 785.3   | 834.2   | 936.7   | 940.5   | 1,049.5 | 1,063.4 |
| 24              | Transfer payments to households.....   | 757.6   | 800.3   | 832.6   | 886.8   | 929.8   | 964.0   | 986.5   | 1,021.3 | 1,073.2 | 1,172.6 |
| 25              | From business and government.....  | 737.4   | 782.8   | 816.7   | 866.9   | 909.6   | 942.8   | 963.4   | 996.9   | 1,046.9 | 1,144.5 |
| 26              | From nonprofit institutions <sup>1</sup> .....   | 20.2    | 17.5    | 15.9    | 19.9    | 20.2    | 21.2    | 23.1    | 24.4    | 26.3    | 28.1    |
| 27              | Less: Household contributions for social insurance.....                                | 226.6   | 237.8   | 254.1   | 268.8   | 280.4   | 297.9   | 316.3   | 337.4   | 358.4   | 372.3   |
| 28              | Less: Household tax and nontax payments.....   | 635.6   | 674.4   | 722.4   | 778.1   | 869.4   | 968.3   | 1,069.9 | 1,158.5 | 1,285.8 | 1,291.5 |
| 29              | Equals: Disposable household income.....   | 4,728.4 | 4,904.9 | 5,129.1 | 5,383.0 | 5,635.6 | 5,923.8 | 6,314.9 | 6,588.1 | 7,084.3 | 7,355.7 |
| 30              | Less: Household outlays.....   | 4,344.1 | 4,587.5 | 4,847.7 | 5,115.3 | 5,406.5 | 5,729.3 | 6,072.0 | 6,471.6 | 6,929.9 | 7,226.8 |
| 31              | Household consumption expenditures.....  | 4,116.8 | 4,359.8 | 4,612.5 | 4,860.7 | 5,119.8 | 5,416.3 | 5,730.6 | 6,110.6 | 6,529.5 | 6,820.1 |
| 32              | From business and government.....  | 3,803.1 | 4,023.7 | 4,262.0 | 4,494.9 | 4,739.8 | 5,012.2 | 5,305.5 | 5,666.5 | 6,061.4 | 6,321.2 |
| 33              | From nonprofit institutions.....   | 313.7   | 336.1   | 350.5   | 365.8   | 380.0   | 404.1   | 424.1   | 444.1   | 468.1   | 498.9   |
| 34              | Interest paid by households.....   | 118.7   | 115.4   | 117.9   | 134.7   | 149.9   | 164.8   | 173.7   | 179.5   | 205.4   | 205.4   |
| 35              | Household transfer payments to the rest of the world (net).....                        | 10.0    | 11.4    | 12.4    | 13.1    | 14.3    | 16.4    | 18.1    | 20.1    | 22.2    | 23.5    |
| 36              | Household transfer payments to nonprofit institutions <sup>2</sup> .....               | 98.7    | 100.9   | 104.9   | 106.7   | 122.5   | 131.7   | 149.6   | 161.4   | 172.7   | 177.8   |
| 37              | Equals: Household saving.....  | 384.3   | 317.4   | 281.4   | 267.7   | 229.1   | 194.5   | 242.9   | 116.5   | 154.4   | 128.9   |
| 38              | Nonprofit institution current receipts.....  | 458.7   | 485.2   | 507.8   | 532.3   | 565.0   | 602.0   | 637.9   | 669.8   | 703.6   | 743.0   |
| 39              | Rental income of nonprofit institutions with capital consumption adjustment.....       | 1.2     | 1.4     | 1.5     | 1.7     | 1.8     | 2.0     | 2.1     | 1.9     | 1.8     | 1.7     |
| 40              | Nonprofit institution dividend income.....   | 10.3    | 11.5    | 12.4    | 14.7    | 16.2    | 14.9    | 14.1    | 12.0    | 10.0    | 10.9    |
| 41              | Nonprofit institution interest income.....   | 20.6    | 19.5    | 21.3    | 24.3    | 25.3    | 29.8    | 27.7    | 28.7    | 27.5    | 27.9    |
| 42              | Transfer payments to nonprofit institutions.....                                       | 113.0   | 116.7   | 122.1   | 125.7   | 141.7   | 151.1   | 169.9   | 183.0   | 196.1   | 203.7   |
| 43              | From business and government.....  | 14.3    | 15.8    | 17.2    | 19.0    | 19.2    | 19.4    | 20.3    | 21.6    | 23.4    | 25.9    |
| 44              | From households <sup>2</sup> .....   | 98.7    | 100.9   | 104.9   | 106.7   | 122.5   | 131.7   | 149.6   | 161.4   | 172.7   | 177.8   |
| 45              | Receipts from sales of goods and services by nonprofit institutions <sup>3</sup> ..... | 313.7   | 336.1   | 350.5   | 365.8   | 380.0   | 404.1   | 424.1   | 444.1   | 468.1   | 498.9   |
| 46              | Less: Nonprofit institution tax and nontax payments.....                               | 0.2     | 0.2     | 0.2     | 0.2     | 0.3     | 0.5     | 0.5     | 0.6     | 0.6     | 0.6     |
| 47              | Equals: Net current receipts of nonprofit institutions.....                            | 458.5   | 485.0   | 507.6   | 532.1   | 564.7   | 601.5   | 637.4   | 669.2   | 703.0   | 742.4   |
| 48              | Less: Nonprofit institution outlays.....   | 429.3   | 451.5   | 473.5   | 497.4   | 521.8   | 543.1   | 578.8   | 611.6   | 655.9   | 701.5   |
| 49              | Nonprofit institution consumption expenditures <sup>4</sup> .....                      | 406.6   | 431.0   | 454.4   | 474.1   | 497.7   | 517.1   | 549.5   | 580.0   | 622.3   | 665.8   |
| 50              | Medical care.....  | 228.6   | 244.9   | 255.4   | 264.8   | 275.1   | 287.8   | 302.6   | 318.4   | 335.4   | 362.1   |
| 51              | Recreation.....  | 13.0    | 14.1    | 15.2    | 16.0    | 16.2    | 16.9    | 17.3    | 18.3    | 19.9    | 20.7    |
| 52              | Education and religion.....  | 57.2    | 60.6    | 63.7    | 67.5    | 71.3    | 74.7    | 78.9    | 84.6    | 89.7    | 95.0    |
| 53              | Religious and welfare activities.....  | 95.5    | 98.9    | 107.0   | 112.3   | 120.9   | 122.7   | 135.0   | 141.8   | 159.2   | 168.7   |
| 54              | Personal business <sup>5</sup> .....   | 12.2    | 12.6    | 13.0    | 13.6    | 14.2    | 14.9    | 15.9    | 16.9    | 18.1    | 19.2    |
| 55              | Nonprofit institution transfer payments to the rest of the world (net).....            | 2.5     | 3.0     | 3.2     | 3.4     | 3.9     | 4.8     | 6.2     | 7.2     | 7.3     | 7.6     |
| 56              | Nonprofit institution transfer payments to households (gross) <sup>1</sup> .....       | 20.2    | 17.5    | 15.9    | 19.9    | 20.2    | 21.2    | 23.1    | 24.4    | 26.3    | 28.1    |
| 57              | Equals: Nonprofit institution saving.....  | 29.2    | 33.5    | 34.1    | 34.7    | 42.9    | 58.4    | 58.6    | 57.5    | 47.1    | 40.9    |
| <b>Addenda:</b> |  |         |         |         |         |         |         |         |         |         |         |
| 58              | Portion of NPISH revenue included in personal income <sup>6</sup> .....                | 46.4    | 48.2    | 52.4    | 59.7    | 62.5    | 66.1    | 64.2    | 64.2    | 62.7    | 66.3    |
| 59              | Gap between NPISH's expenses and sales.....  | 92.9    | 94.9    | 103.9   | 108.3   | 117.8   | 113.0   | 125.4   | 135.9   | 154.2   | 166.9   |
| 60              | Transfers between nonprofit institutions <sup>7</sup> .....                            | 27.0    | 25.2    | 29.7    | 28.0    | 31.0    | 33.1    | 40.1    | 43.6    | 41.3    | 38.5    |
| 61              | Personal saving as a percentage of disposable personal income.....                     | 8.7     | 7.1     | 6.1     | 5.6     | 4.8     | 4.2     | 4.7     | 2.6     | 2.8     | 2.3     |
| 62              | Household saving as a percentage of disposable household income.....                   | 8.1     | 6.5     | 5.5     | 5.0     | 4.1     | 3.3     | 3.8     | 1.8     | 2.2     | 1.8     |
| 63              | NPISH saving as a percentage of disposable income of NPISH's.....                      | 6.4     | 6.9     | 6.7     | 6.5     | 7.6     | 9.7     | 9.2     | 8.6     | 6.7     | 5.5     |

1. Includes grants and allocations, specific assistance to individuals, and benefits paid to members made by nonprofit institutions, along with grants and allocations made by private foundations that directly support households.

2. Includes individual contributions and bequests from households.

3. Excludes unrelated sales, secondary sales, and sales to other sectors.

4. Expenditures are net of unrelated sales, secondary sales, and sales to other sectors.

5. Includes legal services, labor unions, professional association expenses, and club and fraternal housing.

6. Consists of the sum of nonprofit rental income, dividend income, interest income, transfer payments from business, and transfer payments from government.

7. Includes grants and allocations made by nonprofit institutions and private foundations that indirectly support households through the support of other nonprofit institutions, along with their payments to affiliates.  
NPISH Nonprofit institutions serving households

total less than 1 percent of PCE, are shown in the business sector or in the government sector rather than in the NPISH sector, but they are part of the total output produced within institutions classified as NPISH's. In addition, NPISH's gross transfers to households generally account for 0.3 to 0.4 percent of PCE.

### Comparison with IRS estimates

Table 3 compares receipts and expenses of tax-exempt organizations published by the Statistics of Income Division of the IRS in various issues of the *SOI Bulletin* with BEA's preliminary estimates of the receipts and outlays of NPISH's.<sup>9</sup> Despite the differences in data sources and the estimation of portions of NPISH income as residuals, the unexplained discrepancies between the SOI estimates and the NIPA estimates are relatively small. After adjustment for differences in accounting concepts and in scope of coverage, the unexplained discrepancies between BEA's estimates of NPISH income and comparable figures based on SOI data range from -3 percent to 5 percent of BEA's estimates. For outlays, the unexplained discrepancies range from 3 percent to 9 percent of BEA's estimates.

The top half of table 3 shows a set of adjustments that accounts for conceptual differences between the SOI estimates of the receipts of nonprofit institutions and BEA's estimates. The residual discrepancy that remains after these adjustments (line 14) is attributable to statistical causes, such as differences in samples or in responses provided to the IRS and the Census Bureau.<sup>10</sup> The bottom half of the table shows a similar set of adjustments to the expenditures of nonprofit institutions and the unexplained discrepancy that remains after those adjustments (line 28). The largest downward adjustments to the SOI estimates are for hospitals and schools that are treated as part of government in the NIPAs and for "out-of-scope activity," such as activities of nonprofit institutions serving business, activities treated as businesses, and sales by NPISH's to business or government. The largest upward adjustment to the *SOI Bulletin* estimates is for omitted religious organizations; it generally raised these estimates by about 4 percent.

### Conclusion

The introduction of two new tables that provide infor-

9. For related comparisons of adjusted gross income from the *SOI Bulletin* and personal income from the NIPAs, see Thae S. Park, "Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income," *SURVEY* 82 (November 2002): 13-20.

10. Some statistical differences may arise from the adjustments for the coverage of hospitals, religious organizations, and schools. Whereas most of adjustment items in table 3 are calculated from SOI microdata, the adjustments for these industries are calculated as the difference between the BEA and the SOI industry estimates.

mation on NPISH's is planned for the 2003 comprehensive revision of the NIPAs. The first table will show expenditures, income, and saving separately for NPISH's and households, which together make up the personal sector in the current NIPA tables. The second table will reconcile BEA's estimates of the expenditures and receipts of NPISH's with IRS statistics on tax-exempt organizations from the *SOI Bulletin*. The estimates in these tables will update the estimates presented in tables 2 and 3 to incorporate the additional and revised source data that will be used in the comprehensive revision of the NIPAs.

Preliminary estimates for 1992-2001 suggest two distinct phases in the decline in the personal saving rate, which expresses personal saving as a percent of disposable personal income. The decline in the personal saving rate from 8.7 percent in 1992 to 4.7 percent in 1998 was entirely due to the saving behavior of households; saving by NPISH's was stable. In contrast, from 1998 to 2001, declines in saving by NPISH's contributed to the further decline in the personal saving rate to a postwar annual low of 2.3 percent in 2001.

**Table 3. Preliminary Comparison of Receipts and Expenses of Nonprofit Institutions Serving Households, 1992-98**

[Billions of dollars]

| Line |  | 1992  | 1993  | 1994  | 1995  | 1996  | 1997  | 1998  |
|------|--|-------|-------|-------|-------|-------|-------|-------|
| 1    | Receipts of nonprofit institutions recorded by the IRS and reported in the SOI Bulletin <sup>1</sup> ..... | 682.1 | 728.1 | 764.5 | 849.1 | 919.5 | 987.3 | 997.1 |
| 2    | Less: Portion of nonprofit receipts recorded by the IRS not included in receipts of NPISH's                | 265.6 | 258.0 | 279.1 | 324.6 | 360.9 | 410.0 | 369.4 |
| 3    | Adjustment for different accounting concepts <sup>2</sup> .....  | 18.3  | 22.2  | 20.1  | 36.8  | 60.0  | 80.8  | 60.7  |
| 4    | Adjustment for different accounting periods .....  | 8.3   | 4.3   | 4.9   | 1.7   | 10.1  | 9.8   | 7.8   |
| 5    | Nonresident institutions .....   | 10.8  | 10.3  | 12.6  | 12.6  | 11.4  | 11.4  | 9.9   |
| 6    | Government hospitals and schools <sup>3</sup> .....  | 85.4  | 82.1  | 88.6  | 91.3  | 89.6  | 99.4  | 107.3 |
| 7    | Out-of-scope activity <sup>4</sup> .....   | 115.8 | 113.9 | 123.2 | 154.2 | 158.8 | 175.5 | 143.6 |
| 8    | Transfer payments from other nonprofit institutions <sup>5</sup> .....                                     | 27.0  | 25.2  | 29.7  | 28.0  | 31.0  | 33.1  | 40.1  |
| 9    | Plus: Portion of NPISH receipts not included in IRS nonprofit receipts .....                               | 27.5  | 28.4  | 31.4  | 31.6  | 33.6  | 32.4  | 34.3  |
| 10   | Religious organizations <sup>3</sup> .....   | 25.4  | 26.1  | 28.9  | 28.9  | 30.9  | 29.5  | 31.2  |
| 11   | Other organizations .....  | 2.1   | 2.3   | 2.5   | 2.7   | 2.7   | 2.9   | 3.1   |
| 12   | Equals: IRS-derived nonprofit receipts .....   | 444.0 | 498.5 | 516.8 | 556.1 | 592.2 | 609.7 | 662.0 |
| 13   | BEA-derived nonprofit receipts .....   | 458.7 | 485.2 | 507.8 | 532.3 | 565.0 | 602.0 | 637.9 |
| 14   | Nonprofit receipts gap .....   | -14.7 | 13.3  | 9.0   | 23.8  | 27.2  | 7.7   | 24.1  |
| 15   | IRS nonprofit expenditures (reported) <sup>1</sup> .....   | 633.6 | 673.6 | 700.8 | 764.2 | 811.3 | 862.0 | 882.7 |
| 16   | Less: Portion of IRS nonprofit expenditures (reported) not included in nonprofit outlays                   | 222.8 | 220.3 | 244.3 | 268.1 | 282.1 | 306.2 | 288.6 |
| 17   | Adjustment for different accounting periods .....  | 7.3   | 4.0   | 4.4   | 1.6   | 6.8   | 2.8   | 8.6   |
| 18   | Nonresident institutions .....   | 9.9   | 10.0  | 12.2  | 11.5  | 10.6  | 10.6  | 9.3   |
| 19   | Government hospitals and schools <sup>3</sup> .....  | 64.7  | 72.4  | 78.2  | 83.8  | 79.6  | 84.4  | 96.1  |
| 20   | Out-of-scope activity <sup>4</sup> .....   | 113.9 | 108.7 | 119.8 | 143.2 | 154.1 | 175.3 | 134.5 |
| 21   | Transfer payments from other nonprofit institutions <sup>5</sup> .....                                     | 27.0  | 25.2  | 29.7  | 28.0  | 31.0  | 33.1  | 40.1  |
| 22   | Plus: Portion of nonprofit outlays not included in IRS nonprofit expenditures (reported) .....             | 31.2  | 32.5  | 35.8  | 36.7  | 38.9  | 36.7  | 38.7  |
| 23   | Adjustment for different accounting concepts <sup>2</sup> .....  | 3.9   | 4.0   | 4.3   | 4.7   | 4.4   | 3.4   | 3.2   |
| 24   | Religious organizations <sup>3</sup> .....   | 25.6  | 26.6  | 29.5  | 29.8  | 32.3  | 31.0  | 32.9  |
| 25   | Other organizations .....  | 1.7   | 1.9   | 2.0   | 2.2   | 2.2   | 2.3   | 2.6   |
| 26   | Equals: IRS-derived nonprofit outlays .....  | 442.0 | 485.9 | 492.3 | 532.8 | 568.1 | 592.5 | 632.8 |
| 27   | BEA-derived nonprofit outlays .....  | 429.3 | 451.5 | 473.5 | 497.4 | 521.8 | 543.1 | 578.8 |
| 28   | Nonprofit outlay gap .....   | 12.7  | 34.3  | 18.8  | 35.4  | 46.3  | 49.4  | 54.0  |

1. The figure for 1996 includes an adjustment that has been made to account for the lack of SOI statistics for some classes of tax-exempt institutions for this year.

2. Reflects removal of the gains from the sales of assets.

3. Reflects adjustment for partial coverage in one of the data sources.

4. Includes activities of nonprofit institutions serving business, activities of NPISH's treated as businesses, and secondary sales to business and government.

5. Includes grants and allocations made by nonprofit institutions and private foundations that indirectly support households through the support of other nonprofit institutions, along with their payments to affiliates.

6. Reflects addition of capital consumption adjustments.

NPISH Nonprofit institutions serving households