

Rich History of Associations

By Bob Harris, CAE

The Declaration of Independence was signed on July 4th 1776, declaring independence from Britain. The freedoms expressed in the document - freedom of speech and assembly, among others - have benefited associations.

In fact, the framers drafted the document inside Carpenters Hall, a building built by a trades' guild. Guilds, groups of self-employed craftsmen, are precursors to associations.

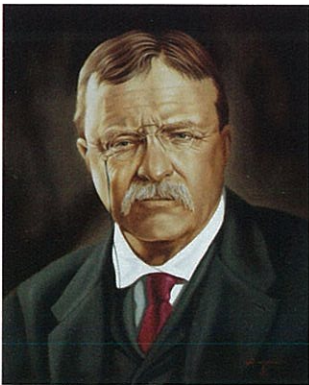
1800s

Nonprofit organizations established themselves on the American landscape throughout the 1800s. By the mid 1800s many national, state and local associations were established, including the American Institute of Architects, the American Medical Association, American Bankers Association, and the American Dental Association.

By 1840, French aristocrat Alexis de Tocqueville visited the USA and published his perceptions in *Democracy in America*. He described a place where people come together as groups and associations --- for common purposes. Citizens began to think of one nation ---rather than self-interests. These associations were politically active and self-governing, relying less on the state to achieve their goals.

Two developments impacted national associations in the late 1800s. The railroad and the telephone facilitated coast-to-coast communications and meetings. Not surprisingly, as association members collaborated, the first antitrust law was adopted in 1890 – The Sherman Act.

1900s



By 1900 there were approximately a thousand associations. In 1908, **President Theodore Roosevelt** recognizes the value of associations with this statement:

“Every man owes a part of his time and money to the business or industry in which he is engaged. No man has a moral right to withhold his support from an organization that is striving to improve conditions within his sphere.”

In 1913, Congress adopted a federal income tax law, and so began tax exemptions. By 1950, the IRS reported the existence of 50,000 exempt organizations.

The first Unrelated Business Income Tax law (UBIT) was adopted in 1950. Towards the turn of the century, scrutiny increased on associations. One result was public record requirements of IRS documents. The provision for volunteer immunity was adopted in 1997.

Soon thereafter the Public Company Accounting Reform and Investor Protection Act was adopted in 2002. Eventually many of the requirements of for-profit corporate boards impacted exempt organizations by including elements in the 2008 revised IRS Form 990.

21st Century

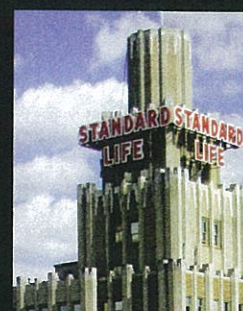
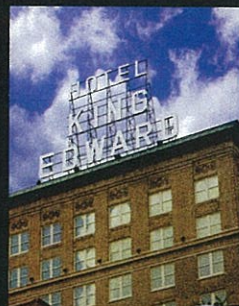
There are nearly 1.8 million exempt organizations; approximately 155,000 of them being 501(c)(6) associations and chambers. The American Society of Association Executives (ASAE) reports that associations have 260,000 full-time employees and another 35,000 part time positions.

In 2008 the IRS revised Form 990 to acquire more information about association governance and management. In 2010, the IRS proceeded to eliminate the exempt status of 300,000 nonprofits

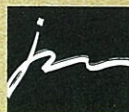
Today – Associations and all nonprofit organizations are the backbone of our communities, democracy and free-enterprise. While the first decade of the 21st century has seen an economic recession, associations prove to be resilient.

In 2011, ASAE published, *Race for Relevance – 5 Radical Changes for Association.*

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Timeline

1735 Oldest association of continuous existence founded by Benjamin Franklin – the **American Philosophical Association**.

1774 **Carpenters Hall** – a guild of tradesmen – was used by the country’s founding fathers to draft the Declaration of Independence.

1776 Continental Congress adopts the Declaration of Independence.

Civil War Most associations were local until the **Civil War years** of 1860-1866. Railroads and industry created new markets and the formation of many new trade associations.

1886 First association management company founded in Philadelphia – Fernley and Fernley.

1900 About 100 associations existed at the national level to influence federal and state legislation, to create standards and to educate members.

1908 Pres. **Theodore Roosevelt** recognizes the value of associations:

“Every man owes part of his time and money to the business or industry to which he is engaged. No man has a moral right to withhold his support from an organization that is striving to improve conditions within his sphere.”

1911 Pres. **Howard Taft** suggests the need for a central organization to represent the interests of business.

1913 The **IRS provides exemptions for business leagues**, as many associations were known at that time. The 1913 Act also provided exemptions for charitable, scientific, and educational organizations.

Congress first gave associations favored tax treatment largely in recognition of the benefit the public derives from their activities. In simple terms, associations earn their exempt status by meeting many of the needs of their members and the general public that the government would otherwise have to meet.

1920 The **American Trade Executives Association** was founded, now known as the **American Society of Association Executives (ASAE)**.

Institute for Organization Management founded by NACOS as the **National School for Business Secretaries** – starting as a two-week long program and existing today as a one-week learning experience over four years.

1925 Price fixing, territorial agreements and controls of supplies became the norm and the Supreme Court upheld **antitrust laws** that competitors may not form agreements on prices, etc.

US Chamber building completed at 1615 H Street across from the White House on property formerly owned by statesman Daniel Webster.

1950 **IRS** reports there are 50,000 nonprofit organizations in U.S. Congress mandates **UBIT** in 1950 to minimize unfair competition between taxable and tax exempt businesses.

1960 CAE program founded to stand as a mark of excellence among association managers.

1960s In mid-60s **IRS** notes dramatic jump in number of nonprofits to 250,000.

1980s **IRS** reports more than 1 million nonprofit organizations.

2002 Adoption of Public Company Accounting Reform and Investor Protection Act of 2002, aka **Sarbanes Oxley**, with eventual influence on associations and chambers and the IRS incorporate aspects into Form 990 effective 2008. Additional scrutiny follows **terrorism** attacks in the US that may be traced to organizations identified as non-profits.

2008 **IRS Form 990** is dramatically rewritten to offer more details about nonprofits with questions about conflicts of interest, board understanding, purpose for existence, etc.

• **Elimination of the exemption** from annual filing for organizations with average gross income of \$25,000 or less.

2010 IRS announces intent to remove exempt status from 300,000 organizations for **noncompliance**.

Recession causes nonprofits to hone their mission and services; some face reduction in sponsors, exhibitors and members, resulting in lay-offs.

2011 **Approximate numbers:**
150,000 trade associations and professional societies

***Note:** Bob Harris provides governance, management and strategic planning services. His website offers free tips and templates at www.nonprofitcenter.com. He can be contacted at bob@rchcae.com.*

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