© *Academy of Management Perspectives*
2022, Vol. 36, No. 1, 50–92.
https://doi.org/10.5465/amp.2018.0027

A R T I C L E

WHEN TAX-EXEMPT NONPROFITS DETRACT VALUE FROM SOCIETY

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Nonprofits receive tax exemptions in return for social value creation and delivery. While the outcomes of these tax exemptions are often positive, there are value-detracting situations in which the cost of granting the tax exemption is likely to exceed its benefits. To date, explanations for these value-detracting situations remain scattered and discipline-centric. Therefore, the purpose of this paper is to clarify the conditions under which tax-exempt nonprofits detract value from society. We survey 15 years of tax-exempt nonprofit scholarship, across nine disciplines, and identify three value-detracting conditions: *policy-making and regulation intemperance, nonprofit management and governance distraction,* and *detection and prosecution inconsistencies.* These three conditions interact and reinforce each other, compounding the value destruction to society. Overall, our findings offer important policy insights regarding the unintended consequences of tax exemptions, and our framework can be used to identify negative-return situations.

Tax-exempt nonprofits are a well-known and growing category of social enterprise that generate positive value for society. They have a long history of responding to social, environmental, and economic inequalities (Aftab Hayat, 2014; Felício, Gonçalves, & da Conceição Gonçalves, 2013). Their track record of public service and social transformation (Chin, 2018; Smith & Lipsky, 2009) is argued to be essential for a better future (Montgomery, Dacin, & Dacin, 2012). Of particular interest in this paper is their tax exemptions (freedom from paying sales, property, or federal taxes), which are given in exchange for this value, created and delivered.

Scholars have documented that nonprofit tax exemptions come with several financial and competitive benefits (Felix, Gaynor, Pevzner, & Williams, 2017), such as reduced operational costs (Lecy & Searing, 2014), easier access to capital (Calabrese & Ely, 2015), and millions of hours of free labor (Greenlee, Fischer, Gordon, & Keating, 2007). Other scholars have criticized tax-exempt nonprofits for their inefficiencies (Knox, Blankmeyer, & Stutzman, 2006), poor governance (Gamble & Christensen, 2022), and misbehaviors (e.g., Archambeault, Webber, & Greenlee, 2015). Thus, instead of creating social returns, some tax-exempt nonprofits may be detracting value from society—that is, situations where lost revenues from the tax exemptions exceed the burden relieved (Greenlee et al., 2007). The size of the returns (whether positive or negative) that society gets from tax exemptions remains unknown, while current appraisal mechanisms cannot account for the complexity underlying value detraction. Calculating negative-return situations first requires scholars to be clear on what antecedents lead to situations where tax-exempt nonprofits detract value from society. So, as part of the larger return-on-exemption question, in this paper we ask and then answer: *What are the conditions under which tax-exempt nonprofits detract value from society?*

We argue that answering this question requires breaking down disciplinary silos. *Management* research has approached this question through organizational forms, board composition, and managerial acumen. *Law* has focused on the legal underpinnings and case precedents. *Public policy* research has centered its attention on regulatory and policy issues that may trigger behavior. *Psychology* has paid attention to the behavior itself, and *Accounting* research has searched for explanations in social accountability and reporting. Yet, existing literature has not offered a comprehensive explanation of the conditions that drive value-detracting or negative returns from tax-exempt nonprofits.

Our integrative approach entailed examining 143 studies and legal cases published over the last 15 years across nine disciplines. We identified studies that addressed the activities associated with value detraction. Our analysis identified 12 enablers of value detraction, highlighting the culpability of policy-makers, nonprofits, and enforcing bodies. We aggregated these 12 enablers into three conditions: *policy-making and regulation intemperance, nonprofit management and governance distraction,* and *detection and prosecution inconsistencies*. We also noticed that these three conditions interact and reinforce each other, and thereby likely amplify negative returns to society. These findings form the basis of our framework.

Our findings contribute to research and policy in a number of ways. First, we introduce to the extant literature three distinct interacting conditions, which represent the foundation for understanding and measuring value detraction in the tax-exempt nonprofit space. These findings and framework lay the groundwork to tackle a bigger challenge, which is the need to have a good, reliable, repeatable calculous to indicate what the societal return on exemption is. Second, we introduce a multilevel framework to facilitate analysis of nonprofits and their returns to society. If policy-makers, stakeholders, and scholars can focus on preventing such conditions, then fertile ground for value detracting behavior can be reduced and potentially eliminated.

TAX-EXEMPT NONPROFITS

The Origins of Nonprofit Tax Exemptions

Tax exemptions in the United States date back to the early 1800s. At this point, Americans were observed to collaborate in voluntary activities (de Tocqueville, 2003). Early in the legislative history of the United States, tax exemptions followed three principles: (a) charitable organizations were granted exemption from federal income tax, (b) income could not benefit an individual related to the organization, and (c) income tax deductions would encourage charitable giving (Arnsberger, Ludlum, Riley, & Stanton, 2009). Later, The Revenue Act of 1909 was expanded, primarily based on the notion that tax-exempt charitable organizations should be nonprofit. Shortly thereafter, The Revenue Act of 1954 introduced section 501. Today, the current reading of 501(a) and 501(3) of the revenue code include:

> corporations, and any community chest, fund, or foundation, organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, for testing for public safety, to foster national or international amateur sports competition, for the prevention of cruelty to children, women, or animals … shall be exempt from taxation. (Lathrope, 2017)

A commendable aspect of nonprofit legislative history was the efforts of lawmakers to tighten regulation as the business environment evolved (Lathrope, 2017). This was likely a result of lawmaker efforts to balance fairness and consistency; to stimulate positive social behaviors; and to reduce the occurrences of tax-exemption abuse. Additionally, many of these lawmakers were guided by the logic that: (a) net income cannot be coherently defined for nonprofits, (b) nonprofits are deliberately being subsidized by the government through the exemption, and (c) nonprofits have an historic legacy of being excluded from the tax base (Rushton, 2007).

However, as time has passed, the landscape of charitable activities has changed. New tensions and opportunities have emerged that require a renewed examination of how tax exemptions are being utilized to develop or sustain civil society. More recently, scholars have framed these tensions and opportunities under the banner of "prosocial logics" (Moroz, Branzei, Parker, & Gamble, 2018; Zhao & Lounsbury, 2016; Zhao & Wry, 2016). A notable example of this is found in a study of aid providers (Ballesteros, Useem, & Wry, 2017). Ballesteros et al. challenged the traditional view that relief is faster, and nations will recover more fully, when nonprofits are playing the dominant role. Ballesteros et al. found that local corporations play a bigger role than nonprofits when it comes to relief aid.

Difficulties with Nonprofit Tax Exemptions

Tax exemptions are a defining, arguably central, regulatory feature of this organizational category (Walker & Sipult, 2011). In the United States, for example, tax-exempt nonprofits are recognized by law under section 501(c)(3) of the Internal Revenue Code. In the United Kingdom, charities do not pay tax on most types of income (e.g., donations, profits from trading, rental or investment income) as long as they use the money for charitable purposes. Exemption is granted for charitable companies and trusts under the Corporation Tax Act 2010 and the Income Tax Act 2007, respectively. In Canada, registered charities and nonprofit organizations are also exempted from taxation under paragraph 149(1)(f) and 149(1)(l) of the Income Tax Act, when they are organized and operated solely for social welfare, civic improvement, and other forms of charitable purpose. Across the European Union each member state has its own legislation on this matter, but most follow a similar logic when it comes to charitable and nonprofit organizations. In all cases, a charitable purpose is understood as one that helps the public or an activity intended for public benefit. The main policy argument behind the variety of tax exemptions (i.e., freedom from paying sales, property, or federal or state taxes) concerns the public value nonprofits are assumed to create and deliver. While this is true for a large number of tax-exempt nonprofits, problems still prevail, raising questions about the validity of such arguments (Archambeault et al., 2015; Greenlee et al., 2007). Yet, policy-makers and regulators continue to award tax exemptions to nonprofits, in the same fashion and at a growing rate.

In this sense, this category is somewhat paradoxical. While some tax-exempt nonprofits play a large role in positive change, others are fraught with organizational problems that amount to wasteful efforts or even duplicitous behavior. Most interestingly, despite any hard evidence of net-positive contributions, many nonprofits continue to receive tax exemptions, which amounts to a substantial financial, operational, and competitive benefit (Hines, Horwitz, & Nichols, 2010). Rosenbaum, Kindig, Bao, Byrnes, and O'Laughlin (2015) estimated that, for 2011, the nonprofit tax exemption for the health sector alone in the United States was \$24.6 billion. Yet, little research has determined whether the tax exemption given to nonprofits is yielding the intended results, and that the benefits outweigh the costs.

The costs associated with tax-exempt nonprofits take many forms. Scholars have documented problems related to performance inefficiencies (Ebrahim & Rangan, 2014), fraudulent activities (Archambeault et al., 2015; Greenlee et al., 2007), mission drift (Ebrahim, Battilana, & Mair, 2014), and governance-leadership failures (Fremont-Smith & Kosaras, 2003). Others have suggested that questions of legitimacy arise from the lack of overall accountability and tax-avoidance practices of organizations that are awarded tax-exempt status (Omer & Yetman, 2007). Kaplan (2001) posited that management control deviation is at the root of much of the criticism directed at nonprofits. Such criticisms (i.e., accusations of fraud, governance failures, and poor controls) have not been fully weighed by policy-makers or scholars. Borek (2005) estimated that the value of uncollected income tax associated with nonprofit exemptions and the charitable tax deduction granted to individuals together far exceed federal social welfare spending.

Alongside these issues, a number of recent scandals have boosted a sense of collective skepticism regarding the role and actual impact of tax-exempt nonprofits. Racism, sexism, and bullying have been reported at Oxfam (BBC News, 2019); volunteers from Medecins Sans Frontieres have been involved in prostitution while working in Africa (Adams, 2018); and Kids Wish Network has been found channel \$110 million in U.S. dollars to its corporate solicitors and \$4.8 million to the charity's founder and his own consulting firms, while sick children receive 3 cents on the dollar from donations (Hundley & Taggart, 2013). Several nonprofit foundations have also been accused of misusing funds for personal benefit over multiple years, to support politics or construction (Vandewalker & Lee, 2018). These are not just extreme examples. The list continues as journalists, watchdogs, and documentarists dig into the enduring problems within this space (e.g., Hundley & Taggart, 2013). While such criticisms hardly apply to the entire category, their magnitude has increased skepticism regarding the true value and legitimacy of tax-exempt nonprofits. Ultimately, misconduct in this sector has had negative and enduring effects upon the charitable industry as a whole (Jones et al., 2019).

Altogether, existing evidence does raise reasonable doubts as to whether the tax mechanisms for nonprofits are appropriate. Several authors have already hinted at the potential darker side of tax exemptions (Yetman, 2003; Yetman & Yetman, 2009). Given the increasing size of this sector (Milofsky, 1997), and longstanding interest in the role that taxes play in motivating organizational behavior (Yetman & Yetman, 2009), we aim to examine the conditions under which tax-exempt nonprofits are likely to detract value from society.

VALUE DETRACTION BY TAX-EXEMPT NONPROFITS

Value-detracting conditions are antecedents that lead tax-exempt nonprofits to return less to society than the exemptions they are given. In these circumstances the accrued benefits garnered from tax-exempt status are greater than the benefits generated by the nonprofit. Such negative-return instances are most often witnessed when the beneficiaries of the charitable good or service do not actually receive the benefits, or when the damage and harm caused by the tax-exempt nonprofit is greater than the good performed. To date there is only scattered knowledge of what conditions drive such value detraction.

One reason for this research gap is that prior studies on tax-exempt nonprofits have been limited to discipline-specific conceptualizations of the conditions leading to negative returns. For example, management and ethics scholars have argued that the problem stems from poor oversight and can be solved by improving governance or managerial practices (Gibelman & Gelman, 2001; Harris, Petrovits, & Yetman, 2017). Public-sector scholars have argued that the problem stems from incorrect resource allocation and inadequate estimations and can therefore be solved by improving resource-allocation mechanisms and cost–benefit analyses (Knox et al., 2006). Unfortunately, such siloed research can only provide disciplinary responses and limits the way in which scholars address "real-world problems" (Jeffrey, 2003: 539).

To explain the conditions under which tax-exempt nonprofits detract value from society, we reviewed and synthesized[1] 143 studies and litigation cases across nine disciplines (accounting, economics, ethics, general management, law, planning, public sector, sector studies and other social sciences), covering a range of value-detracting activities. These included fraud, misconduct, comparative performance, cost–benefit issues, information asymmetries, unfair competition, CEO incentives and overpayments, and operational inefficiencies in tax-exempt nonprofits. We paid particular attention to empirical studies and evidence reviews focused, for example, on costs and benefits of tax exemptions or effects of regulation upon tax-exempt nonprofit governance. We also looked at a range of evidence-based research notes and reflective papers examining litigations and the legal implications of regulatory changes in these organizations. Finally, we examined a selection of qualitative studies on such issues as perceptions of regulatory compliance, and the public image of tax-exempt nonprofits and trust in their boards.

The number of studies published in this space remained relatively stable for 10 years, then grew significantly from 2014 onward (see Appendix A). The spike in research interest form early 2010 (considering research and publication cycles) may be attributable to factors such as: (a) the availability of early evidence pertaining to the impact of the Affordable Care Act, accompanied by the need to compare the performance and cost–benefit relationships between alternative service providers; (b) the Internal Revenue Service (IRS) decision to scrutinize charitable organizations more closely than other organizations seeking tax benefits, as reported by the Treasury Department in 2007, despite several budget cuts affecting oversight capacity within the IRS (Hackney, 2017); and (c) the surge of scandals affecting these organizations and news coverage highlighting the United States' "worst" charities (e.g., Hundley & Taggart, 2013) and other scandals in Europe (e.g., BBC News, 2019). These factors are not only relevant from a methodological point of view but also show the timeliness of the phenomenon under examination.

The vast majority of studies have reviewed examined tax-exempt nonprofits in the United States. We found three arguments supporting this unbalanced distribution. First, while the share of voluntary work is stable across countries, the United States donates more to charity than any other country (through both individuals and corporations). In 2017, Americans donated U.S. $410 billion, representing roughly 2% of the country's gross domestic product (Osili & Zarins, 2018). In the United States, income tax incentives cover a wide range of donations including more illiquid assets, and the donor can claim large portions of a donation to reduce taxable income. Other countries tend to offer a narrower range of available tax incentives and restrict the number of income tax deductions allowed. Finally, as with many disciplines, a disproportionate number of scholars published in leading journals are based in the United States. We do not see these explanations as problematic, but rather as a set of interesting insights that can potentially inform further studies, in other countries, as their social industries evolve (or devolve).

In our integrative review, we first extracted evidence of value detraction, which we then aggregated to 12 enablers of value detraction. They pertain to, for example, expectations of social value return, unjustified performance differentials, managerial misbehavior, accountability and transparency issues, selective public scrutiny, and ineffectiveness of stricter regulation. In making sense of these enablers, we observed that they materialize at three different levels, becoming entity-specific, distinctively explaining why value detraction might occur within this space. The levels are: (a) policy-making and regulation, (b) nonprofit

[1] A detailed description of our methodological procedure and review analysis can be found in Appendix A.

management and governance, and (c) enforcement and prosecution.

At the policy-making and regulation level, for example, we observed that tax exemption is seen as a unique and defining feature of the nonprofit category. It gives meaning to the charitable work performed by nonprofits (Dal Pont, 2015), despite the fact that tax rules are not clear for some nonprofit types (Colombo, 2010) and the definition of what is charitable lacks uniformity (as it depends mostly on the needs of local governments) (Walker & Sipult, 2011). This is problematic as it creates uneven expectations of social value return over tax exemptions (Herring, Gaskin, Zare, & Anderson, 2018). Policy and regulation persist in granting tax exemptions despite the many problems—uneven treatment, misleading assumptions, and lack of clear evidence regarding social value returns over tax benefits—revealing a state of intemperance.

At the management and governance level, we found evidence of problematic expectations of misbehavior within management teams across nonprofits, mostly due to unclear behavioral boundaries (Aprill, 2014) and lack of professionalism in nonprofits (Kummer, Singh, & Best, 2015). This leads to a normalization of poor governance (Dhanani & Connolly, 2015; Lecy & Searing, 2014). When it comes to accountability and reporting, management teams seem too distracted to deliver on what is required. Against intuition, stricter regulation does not change governance behavior (Gilkeson, 2007), nor reduce misconduct (Kerlin & Reid, 2010). This is perhaps reinforced by the fact that the consequences of poor accountability and transparency practices are mostly trivial (e.g., Archambeault & Webber, 2018; Greenlee et al., 2007), which links up with inconsistencies at the level of detection and prosecution. At this level, we observed that the revenue service and prosecutors generally decline to accuse nonprofits that run afoul of the laws on charitable giving, because the associated expenses and reputational risks are too great (Marks & Ugo, 2012). Ultimately, detection and prosecution are seen as inconvenient, nonconductive, and mostly ineffective, and remain contingent upon perceptions and public scrutiny. Too many inconsistencies in detection and prosecution seem to aggravate problems in policy-making and managerial practices.

The way enablers combine within each of the levels led us to identify three (entity-specific) value-detracting conditions, which we label *policy-making and regulation intemperance, nonprofit management and governance distraction,* and *detection and prosecution inconsistencies*. Table 1 provides an all-inclusive representation of the key evidence compiled and analyzed. The evidence has been organized thematically according to how it enables value detraction. This informs our conceptualization of the enabling structure underlying value detraction within each condition. In the following section, we discuss the content of Table 1 in detail, which is subsequently summarized in Table 2.

FINDINGS

Conditions under Which Tax-Exempt Nonprofits Detract Value from Society

Condition 1: Policy-making and regulation intemperance. Our findings point to a problematic condition, which is that policy-makers and regulators have granted tax exemptions in an excessive manner (Archambeault et al., 2015; Greenlee et al., 2007). This stems from counterproductive policy and regulatory assumptions. These assumptions are rooted in a set of unsubstantiated logics of social and financial performance, operational efficiency, cost–benefit relationships, value delivery expectations, complex legal structures, governance, and competition. Overall, these assumptions stem from a series of presumed circumstances, including historical influences, regulatory inequities (Colombo, 2010), competitive disadvantages (Owens, 2005), and blurry moral logics (Magill & Prybil, 2011), which leads to a presumption that tax-exempt nonprofits should have special protection under the law (Hines et al., 2010).

Authors have found that a chasm exists between the social value expected of tax-exempted nonprofits, their performance (Knox et al., 2006), and the value they actually deliver (Rubin et al., 2013). First, the size of tax exemption seems to influence public opinion regarding the size of community benefits provided. This assumption is unsubstantiated because tax exemptions tend to produce distorted community-benefit expectations (Owens, 2005). In the case of well-known hospitals, for example, there is a disproportionately high expectation from the public that tax-xempt organizations should provide more community benefits simply because they receive a tax exemption (Rosenbaum et al., 2015). Likewise, more social value is expected from faith-based nonprofits in comparison to secular ones (Ferdinand, Epane, & Menachemi, 2014). This is problematic since the pressure applied by stakeholders for nonprofits to deliver high levels of community benefits, in line with the tax exemptions they receive, may unintentionally encourage misconduct (Owens, 2005).

TABLE 1
Value Detraction in Tax-Exempt Nonprofits: Conditions, Enablers, and Evidence

Condition 1. Policy and Regulation Intemperance
Enabler 1.1
- Value of tax exemptions is contingent upon perceptions of community benefits, not actual value delivered (Herring et al., 2018). As such, expectations of social value return increases with amount of tax exemptions (Owens, 2005).
- Tax rules are not entirely clear for several nonprofit subcategories. Regulators struggle to decouple nontaxable organizations from taxable activities (Colombo, 2010).
- For secular nonprofits, there are high expectations of social value creation over tax exemptions, social value needs to be proven, and they are more likely to be held accountable for it (Knox et al., 2006). For faith-based nonprofits, there are high expectations of social value creation over tax exemptions (Kearns, Park, & Yankoski, 2005) and they are more likely provide services to vulnerable people (White, Choi, & Dandi, 2010), but there is no need for this to be demonstrated and they are less likely to be accountable for it (Knox at al., 2006).
- Definition of charitable is contingent on needs of local governments (Walker & Sipult, 2011). However, in the United States where states allow for the emergence of nonprofit organizations, tax exemption can only be granted by federal law. This, since federal law has taken over the law of charity, undermines state law (Jamail, 2014).
- Tax exemption is justified based on input activities, not outcomes. Instruments cannot capture benefits against which tax status is granted (Rubin, Singh, & Jacobson, 2013). Tax exemptions can even be justified in cases with clear negative outcomes (e.g., marijuana industry) but concrete charitable purpose (Leff, 2014).

Enabler 1.2
- Tax-exempt nonprofits provide more community benefits than the financial support they receive (Turner, Broom, Goldner, & Lee, 2016), yet there is no differential financial performance (Colombo, 2006) given tax exemptions.
- Nonprofits deliver more social value than for-profits, but mandatory community benefits—due to tax exemptions—undermine mission and social outcomes (Horwitz, 2006).
- Faith-based tax-exempt nonprofits provide more community benefits than do secular tax-exempt nonprofits. Yet, growth rates are the same and benefits level off under crisis (Ferdinand at al., 2014).
- While for-profit organizations and social enterprises (e.g., low-profit limited liability company [LC3s]) tend to be more efficient than tax-exempt nonprofits (Hines et al., 2010), it is unclear whether tax-exempt nonprofits are more efficient than grassroots nonprofits in the social sector (Til, 2009).
- Likewise, while secular tax-exempt nonprofits tend to be more efficient than faith-based tax-exempt nonprofits, it is unclear whether the former create more social value than the latter (Knox at al., 2006),
- In healthcare, there are differences in the performance of nonprofit versus for-profit hospitals; however, it is unclear whether these differences are large enough to justify a sizable subsidy (Hyman & Sage, 2006).

Enabler 1.3
- Tax-exempt nonprofits are perceived to be more valuable than other social organizations (Til, 2009), yet L3Cs, tax-exempt nonprofits, and grassroots nonprofits provide equal social value (Cram, Bayman, Popescu, Vaughan-Sarrazin, Cai, & Rosenthal, 2010).
- Grassroots organizations create equal social value to tax-exempt nonprofits, but they have smaller market share (Kanaya, Takahashi, & Shen, 2015) and are normally neglected by policy and regulation (Til, 2009).
- Tax exemptions do not lead to greater community benefits. Tax-exempt nonprofits provide marginally more value, but tax exemption is not the cause (Bloche, 2006).
- While tax-exempt nonprofits tend to provide more community benefits than the financial support they receive, there is no evidence of differential financial performance (Colombo, 2006) to justify unfair competition.
- Exposure to competition seems beneficial (Colombo, 2006), yet more competition can eventually trigger misbehavior in nonprofits (Hines et al., 2010). In addition, small tax-exempt nonprofits tend to struggle when it comes to accessing capital markets (Calabrese & Ely, 2015). Hence, competition is avoided.

Enabler 1.4
- Tax-exemption is a constitutive element of tax-exempt nonprofits, creating a distinct category (Mayer, 2012) and meaning of charity (Dal Pont, 2015), and is considered central to building the nonprofit sector (Hu, 2015).
- Competition and consumer demands might undermine tax-exempt nonprofits' inner characteristics and uniqueness (Hines et al., 2010; Mayer, 2012).
- Opening tax exemption to others is too complex to regulate and too complex to govern, and if other social enterprises want tax exemption, they should enter the tax-exempt nonprofit category (Hines at al., 2010).
- Changes in charity law might change the meaning of charity (Dal Pont, 2015).
- Collaboration is counterproductive. In healthcare, joint venturing between tax-exempt nonprofits improves collaboration and efficiency, but threatens tax-exempt status (Smith, 2004).

Condition 2. Nonprofit Management and Governance Distraction
Enabler 2.1
- Public policy doctrine fails to provide fair notice to nonprofits as to what behavior is and is not consistent with maintaining tax exemptions (Buckles, 2016).
- There is an assumption that the actions of managerial teams are to be trusted given the orientation and input activities of tax-exempt nonprofits (Felix, Gaynor, Pevzner, & Williams, 2017; Rubin et al., 2013; Tremblay-Boire & Prakash, 2017). Trust is particularly

TABLE 1
(Continued)

assumed in religious nonprofits, despite low levels of disclosure (Tremblay-Boire & Prakash, 2015). This is problematic since in the absence of effective enforcement mechanisms, trust can be exploited—for example, via overspending (Felix et al., 2017).

- Behavioral boundaries are unclear as to what management and board members are not allowed to do—for example, engage in political activity (Aprill, 2014; Lavarda, 2009).
- There are few expectations of professional behavior across in tax-exempted nonprofits, which have weaker internal controls and lack business and financial expertise (Kummer et al., 2015). Misbehavior is not surprising; it is often justified and even expected (Metzger, 2015).
- Distracted boards in pursuit of socially superior goals may diverge from efficiency (Knox at al., 2006) and allow nonprofit CEOs to create and exploit informational asymmetries (Tillotson & Tropman, 2014).
- Taxable activities can lower production costs and increase returns (Yetman, 2003), and CEOs prioritize activities that contribute to their performance and pay (Kramer & Santerre, 2010).
- Managers turn to profitable activities when community benefit expectations are met (Vansant, 2016), when under pressure, or when it is convenient to do so (Yetman, & Yetman, 2009), and there is a tendency to see taxable activities as charitable—that is, nontaxable (Yetman et al., 2009).

Enabler 2.2

- Poor accountability and reporting practices are common across tax-exempt nonprofits (Lecy & Searing, 2014; Dhanani & Connolly, 2015). Misreporting worsens as competition for resources increases. In addition, tax-exempt nonprofits make efforts to depict a positive view of their financial position. Tax-exempt nonprofits manipulate reported investment returns, and avoid reporting small negative returns which instead appear as gains (Almond & Xia, 2017).
- Input activities and spending remain to be an inadequate proxy for social value (Rubin et al., 2013). While enhancing financial rewards for measurable outcomes is positive, it undermines providers' commitment to non-measurable community benefits (Schlesinger & Gray, 2016).
- Fraud in tax-exempt nonprofits remains largely anecdotal; it mostly damages reputation and legitimacy (Archambeault et al., 2015). It does not affect current status of tax-exempt nonprofits; it only reduces their chances of getting funding next period (Greenlee et al., 2007; Petrovits, Shakespeare, & Shih, 2011).

Enabler 2.3

- Lax governance has led to new mandatory board structures and practices. Yet, strict regulation does not change practice (Gilkeson, 2007), trigger ethical imperatives (Magill & Prybil, 2011), or avoid misconduct (Kerlin & Reid, 2010).
- Increasing financial oversight is perceived as negative as it might have a detrimental effect on the provision of community benefits (Principe, Adams, Maynard, & Becker, 2012).
- Stricter law and guidelines do not change management toward delivering better community benefits (Coyne, Ogle, McPherson, Murphy, & Smith, 2014).

Enabler 2.4

- When employees or beneficiaries are involved in the governance of tax-exempt nonprofits, more community benefits are delivered (Singh, Young, Loomer, & Madison, 2018), accountability and transparency improve and fraud decreases, (Pennel, McLeroy, Burdine, Matarrita-Cascante, & Wang, 2017). However, these actors are often neglected as agents (Berg, 2010; Bradley, 2015).
- Governments and nonprofits tend to pay instead excessive attention to tax exemptions and competition (Berg, 2010).
- Accountability and financial transparency regulations increase burdens for tax-exempt nonprofits, which results in accountability and transparency being avoided—that is, avoidance behavior (St. Clair, 2016)

Condition 3: Detection and Prosecution Inconsistencies

Enabler 3.1

- Misleading justification for no prosecution: Lack of enforcement power and low chances of repayment if prosecution is successful (Hackney, 2017), charitable purpose can disguise fraud (Webber & Archambeault, 2019), problem is not sufficiently serious in the context of overall tax fraud and fraud detection measures are not effective (Kummer at al., 2015).
- Generalized lack of criticism regarding problems in revenue service oversight, including failure to enforce the tax law equitably (Blank, 2017).
- Commonly used fraud detection instruments tend to be ineffective (Kummer et al., 2015). Fraud detection and prosecution are inconsistent as they fluctuate depending on the characteristics of the nonprofit category, types of victims, and perpetrators (Greenlee et al., 2007).
- If administrative and political costs are greater than the benefits of revenue, local officials are more likely to solicit voluntary payments from tax-exempt nonprofits (Longoria, 2014).

Enabler 3.2

- There are reputation risks for the IRS if prosecution of tax-exempt nonprofits is unsuccessful, since enforcement from revenue service agencies can be seen as excessive facing unprotected tax-exempt nonprofits (Marks & Ugo, 2012)
- While fraud detection measures can reduce damage, detection and prosecution focus is rather placed on damage control (Kummer at al., 2015).

TABLE 1
(Continued)

Enabler 3.3

- Size of tax exempted influence public opinion regarding community benefits provided. The higher the tax exemption, the higher the expectation (Rosenbaum et al., 2015).
- Media exposure influences disclosure, but level of disclosure depends on regulatory incentives (Tremblay-Boire & Prakash, 2015).
- Public scrutiny regarding fraudulent activities increases in line with amount of tax exemption and is contingent on nonprofit category and the types of victims and perpetrators (Greenlee et al., 2007)
- Lobbying increases in line with the level of engagement and tax exemptions (Leech, 2006).

Enabler 3.4

- If misconduct is detected, punishment tends to be symbolic. Disclosure of internal control problems over financial reporting leads to fewer contributions in the subsequent year (Petrovits et al., 2011).
- Current instruments are insufficient to capture the already underlying complexity of tax-exempt nonprofit activity (Colombo, 2010).
- Stricter enforcement increases regulatory complexity further and triggers the development of more complex nonprofit structures (Kerlin & Reid, 2010), leading to accountability concerns (McDonnell, 2017).
- Stricter compliance and enforcement create unnecessary burden (Alam, 2011) and costs (Blumenthal & Kalambokidis, 2006), and might lead to avoidance behavior, further misconduct (St. Clair, 2016), and fewer community benefits (Alam, 2011; Singh et al., 2018).

Conversely, less visible tax-exempt nonprofits continue to receive tax benefits without excessive public scrutiny regarding expectations of performance and social value delivery. Using data from annual cost reports from the Texas Department of Human Services regarding cost efficiency across three types of nursing homes, Knox et al. (2006) rejected the homogeneous performance assumption, showing significant variance across tax-exempt nonprofits. The authors showed that, given the same quality of service, faith-related tax-exempt nonprofits are considerably less efficient in terms of costs and allocation of resources than are government and private-sector organizations. While faith-based nonprofits are more likely to engage in activities that provide significantly higher benefits to their communities (Ferdinand et al., 2014), their inefficiencies tend to remain hidden from public scrutiny due to the assumed socially superior goals underlying their status (Knox at al., 2006). Furthermore, faith-based organizations can afford to disclose less than their secular counterparts (Tremblay-Boire & Prakash, 2015) and engage in political activity (Backer, 2016) (which is prohibited by law) because the public trusts in the morality of their goals (Tremblay-Boire & Prakash, 2017).

A related finding is an input–output problem. Since tax exemptions are granted based on input activities rather than outcomes, community benefits that exceed the tax exemption cannot be guaranteed (Rubin et al., 2013). For example, in the health sector, which is the largest recipient of tax benefits, the assumption that tax exemption increases community benefits does not hold (Bloche, 2006). Alternatively, in the education sector tax-exempt nonprofits with little or no social mission, such as the National Collegiate Athletic Association (NCAA), can access the exemption benefits if they operate in a charitable way (Colombo, 2010; Leff, 2014). Even marijuana sellers have managed to avoid taxes by registering as 501(c)(3) organizations (Leff, 2014).

We also find problems with misleading assumptions regarding the efficiency of social value delivery. We discover that such lenience toward tax-exempt nonprofits may actually foster organizational inefficiencies (Knox et al., 2006). This is supported by empirical evidence suggesting that the costs of tax exemptions may actually exceed the aggregate benefits (Rosenbaum et al., 2015). In 2018, Herring et al. found that community benefits exceeded the tax exemption for only 62% of hospitals receiving such exemptions. Interestingly though, for-profit hospitals deliver similar social benefits despite their tax obligations (Schlesinger & Gray, 2006). Herring et al. (2018) argued strongly for a reevaluation of tax-exempt status as an instrument and incentive. Many tax-exempt nonprofits benefit from it, but do not provide equal social value. In other words, taxpayers' investment is not returning enough social benefits.

Another assumption that seems problematic is that tax exemptions are necessary to protect tax-exempt nonprofits from unfair competition. Hines et al. (2010) and Mayer (2012) argued that competition and consumer demands might undermine the uniqueness of the tax-exempt category. They posited

TABLE 2
Summary of Conditions Leading to Value Detraction

Policy and Regulation Intemperance	**Enabler 1.1 Uneven expectations of social value return over tax exemptions:** Policy and regulation are inconsistent in their expectations of community benefits and accountability over the amount of tax exemption benefit and type of charitable activity. This results from conflicting, often counterproductive, law structure and unclear definitions over what social value is, and how it is created and reported.
	Enabler 1.2 Misleading assumptions regarding the efficiency–social value relationship: Policy and regulation persist in granting tax exemptions, misleadingly, as a way of offsetting the assumed performance differentials across the social sector, which results from social value creation. The higher the perception of social value, the lower the expectation of efficacy, and the more the tax exemption is justified. However, evidence does not support the premise of efficiency differentials or the idea that lower efficiency results from higher value creation.
	Enabler 1.3 Misleading assumption protection from competition: Policy and regulation persist in granting tax exemptions as a way of protecting tax-exempt nonprofits from unfair competition across the social sector. This occurs under the assumption that tax-exempt nonprofits are less competitive than other social organizations, given their orientation and the fact that unfair competition can trigger misbehavior. Thus, when tax-exempt nonprofits are protected more social value can be created and fraud avoided. Evidence supports differences in expectations, yet there are no differences in actual social performance given tax exemptions.
	Enabler 1.4 Unsubstantiated obstruction of other social organizations: Policy and regulation are reluctant to open tax exemptions to other social organizations as it might create unnecessary regulatory and governance complexity and undermine the uniqueness of the tax-exempt nonprofit category. This occurs under the assumption that tax exemption is a constitutive and nonseparable element of tax-exempt nonprofits. Evidence does not support increments in regulatory complexity.
Nonprofit Management and Governance Distraction	**Enabler 2.1 Unclear behavioral boundaries and expectations of misbehavior in management teams:** Unclear behavioral boundaries and distraction allow for managerial misconduct, which has become normalized in and across managerial teams. Fuzzy boundaries between taxable and nontaxable activities influence (mis)behavior of management teams, and decisions regarding tax payments are contingent upon circumstances.
	Enabler 2.2 Trivial consequences of poor governance practices: Poor accountability and transparency are common across tax-exempt nonprofits. The effects of wrongdoing tend to be seen as inconsequential. Most of the damage is solely reputational and there is little effect on current funding or likelihood of criminal prosecution.
	Enabler 2.3 No changes in management and governance under stricter rules: Management teams and managerial behavior are frequently unresponsive to stricter regulation and compliance. This can create counterproductive effects, impacting both ethical behavior and social value creation.
	Enabler 2.4 Neglect of positive influencers of accountability and governance: Direct engagement with key stakeholders (beneficiaries, employees, and volunteers) increases accountability and transparency across tax-exempt nonprofits, yet they are frequently neglected by management teams and their potential influence on accountability and governance tends to be neutralized.
Detection and Prosecution Inconsistencies	**Enabler 3.1 Stricter detection and prosecution are seen as inconvenient and nonconducive:** Costs of detection and prosecution tend to overshadow benefits. This is particularly problematic when detection and prosecution agencies lack sufficient resources and face reputational risks. Detection and prosecution tend to be avoided.
	Enabler 3.2 Reputational risks in stricter detection and prosecution: Given the nature and assumed value of tax-exempt nonprofits, there are reputational risks for fraud detection and prosecution agencies in cases where prosecution efforts fail.
	Enabler 3.3 Inconsistent fluctuations in public scrutiny affect action of detection and prosecution: Public scrutiny has a positive effect on reducing misconduct, as it influences the behavior of nonprofits and detection and prosecution agencies. However, public scrutiny is largely skewed, influenced by the amount of exemption, size, and type of the nonprofit involved. This creates distortions in detection and prosecution.
	Enabler 3.4 Enhanced detection and prosecution is perceived as ineffective: Stricter and more sophisticated detection and prosecution instruments increase regulatory complexity and do not change governance behavior or reduce fraud. Regulatory complexity is avoided.

that competition is likely to be detrimental to a charity's pursuit of public benefit (Mayer, 2012) and eventually trigger misbehavior in nonprofits (Hines et al., 2010). However, evidence has shown that protecting tax-exempt nonprofits from additional competition may not be justified. In his analysis of the 2004 report on competition and health care by the Federal Trade Commission and Department of Justice, Colombo (2006) showed that exposure to competition is indeed beneficial and is not likely to hinder efficient tax-exempt nonprofits from meeting their goals. Both tax-exempt nonprofits and nontax-exempt social enterprises deliver important social benefits, far exceeding the contributions of tax-exempt nonprofits alone. In the health sector, for example, Bloche's (2006) review revealed that while nonprofits tend to deliver slightly more community benefit than do other nonprofits or for-profits, there is no evidence that tax exemption is the cause. Hines et al. (2010) suggested that offering similar tax treatment to for-profits engaging in charity (e.g., L3Cs—which are for-profit structures that have a social mission as their primary goal) might encourage greater charitable entrepreneurship and healthy competition for the whole sector. This is relevant because evidence has shown that grassroots nonprofits create equal social value when compared to tax-exempt nonprofits, despite having a smaller market share (Kanaya et al., 2015). In Colombo's (2006) view, more competition within social industry would improve the net benefits. Despite the evidence, tax-exempt nonprofit organizations tend to receive excessive attention and benefits, which ultimately undermines the potential contribution of other social enterprises (Til, 2009), stifles competition, and potentially destroys social value.

Returning to the introduction, there appear to be policy alignment issues between what tax-exempt nonprofits say they are (mission) and what they do (behavior). Existing literature examining value detraction across disciplines has suggested that many important aspects of prosocial efforts have been overlooked by policy-makers and regulators (Bloche, 2006; Colombo, 2006, 2010; Leff, 2014). Appreciating that their initial intention was to grant a small number of organizations tax-exempt status, we see evidence of intemperance. Such excess—in this case granting tax-exempt status to multiple organizational variations—has broadened the category, thereby creating complications, disruptions, and abuses that regulators aim to patch with further regulations.

Condition 2: Nonprofit management and governance distraction. Our findings suggest that, in value-detracting tax-exempt nonprofits, lax governance and accountability are allowed and in fact often expected (Alexander, Young, Weiner, & Hearld, 2008). This is characterized by a normalization of managerial irresponsibility (Kummer et al., 2015), an unjustified perpetuation of trust (Felix et al., 2017; Rubin et al., 2013), unclear and fluid behavioral boundaries (Aprill, 2014; Buckles, 2016; Lavarda, 2009), and a misleading overemphasis on socially superior goals (Knox et al., 2006). These issues become salient when rooted in actions taken by the board of directors. Here, those responsible for setting appropriate limits shield themselves from normal management frustrations under a set of ambiguous yet accepted behavioral boundaries (Tillotson & Tropman, 2014). Metzger (2015) argued that misbehavior in these organizations is no longer surprising and is in fact often expected, since there is no expectation of professional managerial behavior or close engagement (Bromley & Orchard, 2016; McGiverin-Bohan, Grønbjerg, Dula, & Miller, 2016). Some authors have pointed to external budget restrictions as a driver of minor forms of misconduct. After analyzing a sample of 4,000 tax-exempt nonprofits with large assets, Almond and Xia (2017) found that these organizations tend to avoid reporting small negative returns, which instead appear as gains. This accounting pattern is present in a wide range of tax-exempt nonprofits, including faith-based and community organizations. This suggests that tax-exempt nonprofits behave much like for-profit organizations: having incentives to manipulate returns and finding ways to do so (Almond & Xia, 2017). Managerial and supervisory failures are part of a series of governance features that have long been fundamental in shaping how tax-exempt nonprofits operate (Ascher, 2014; Metzger, 2015).

In the view of Alexander et al. (2008), poor governance leads to poor reporting practices, which are protected by a form of moral self-licensing (Merritt, Effron, & Monin, 2010), where misbehavior can be justified as it is outweighed by the all the good things the charity does. This in turn perpetuates a fallacy of trust in nonprofits' charitable behavior (Tremblay-Boire & Prakash, 2017). In these cases, trustworthiness is attributed to the nonprofit's purpose rather than its actual behavior, which intensifies in cases of religious bonding (Tremblay-Boire & Prakash, 2015). Tremblay-Boire and Prakash (2017) suggested that the tax-exempt nonprofit category has yet to demonstrate that it is worthy of the trust it receives, and this is difficult to achieve in the absence of good governance and reporting practices (Dhanani & Connolly, 2015; Lecy & Searing, 2014).

A related issue in tax-exempt nonprofits is that CEOs and board members tend to prioritize activities that contribute to forming perceptions of higher performance (Kramer & Santerre, 2010), even in situations where this might undermine beneficial (nonmeasurable) activities for the community. Indeed, evidence has shown that managers tend to turn to profitable activities when community benefit expectations are met (Vansant, 2016). Felix et al. (2017) showed that nonprofits operating in higher-trust areas are more likely to overspend on administrative expenses. Disturbingly, this also occurs in periods of nonprofit starvation (i.e., a debilitating trend of underinvestment in organizational infrastructure), where tax-exempt nonprofits end up spending more on executive salaries and fundraising and less on staff wages (Lecy & Searing, 2014).

Furthermore, governance oversight issues have been highlighted regarding the still blurry boundary between taxable and nontaxable activities (Yetman & Yetman, 2009), leading to problems of misreporting (Lecy & Searing, 2014). Since interpretation and flexibility is allowed, the line between the taxable and nontaxable activities can be moved based on convenience (e.g., when the taxable activities produce a relatively higher return), when tax-exempt nonprofits are under financial pressure (Foster & Bradach, 2005; Lecy & Searing, 2014; Yetman & Yetman, 2009), or when basic community benefit expectations are met (Vansant, 2016). Indeed, Yetman, Yetman, and Badertscher (2009) argued that there is a confirmation bias across the industry whereby taxable activities are often seen as charitable activities. This is interesting, since prioritizing taxable over charitable activities under a nonprofit structure does not seem to deliver results. In a cross-industry study of revenue trends (1991–2001) reported on IRS form 990, Foster and Bradach (2005) found that earned income accounts for only a small share of funding in most nonprofit domains. While complementarities can lower production costs and make it easier for tax-exempt nonprofits to allocate joint costs from tax-exempt to taxable activities (Yetman, 2003), nonprofit expansion into taxable markets might lead to mission drift and distraction from community benefits.

Interestingly, stricter regulation has not produced the expected effects on governance misconduct (Kerlin & Reid, 2010), and has proven insufficient to engage the underlying ethical imperative for boards to provide effective oversight (Magill & Prybil, 2011). It also does not lead to higher community benefits (Singh et al., 2018). Even financial scrutiny is perceived as negative, although it might lead to better performance, because it might have a negative effect on the delivery of community benefits (Principe et al., 2012). As Bromley and Orchard (2016) explained, although the development of codes of practice may lead to higher standards of ethical behavior, they tend to be used as a legitimizing symbol in a cultural context of professionalization. Alexander et al. (2008) reinforced this point by showing that while lax governance has led to new mandatory board structures and practices, the evidence points to a modest relationship between stricter regulation and improvements in governance quality. Even seminal pieces of governance regulation, such as California's Nonprofit Integrity Act of 2004, have proven inefficient in improving the quality of financial reporting, only increasing accounting fees and administrative burden (Neely, 2011).

Since punishment for governance infractions tends to be merely symbolic, the immediate consequences are tenuous and mostly linked to a momentary loss of legitimacy and potentially a reluctance of donors to continue supporting the organization if legitimacy is not restored. Expectedly, tax-exempt nonprofits tend to turn their attention to contingent symbolic management (Zott & Huy, 2007) and unquantifiable activities that only contribute to legitimacy (Byrd & Landry, 2012); for example, unilateral website disclosures (Tremblay-Boire & Prakash, 2015). Bromley and Orchard (2016) showed that in those circumstances, tax-exempt nonprofits tend to focus on codes of practice that symbolize their commitment to accountability and self-regulation, thus signaling their legitimacy. Dhanani and Connolly (2015) found that disclosure content is frequently guided by the opportunity to showcase the organization in a way that increases its legitimacy. In a similar vein, tax-exempt nonprofits also tend to engage in efforts to depict a positive view of their financial position, hiding small negative returns (Almond & Xia, 2017) and lobbying efforts (Leech, 2006).

In sum, across disciplines much of the existing literature has suggested that serious governance and oversight issues exist. Kramer and Santerre (2010) indicated that many of these issues have evolved into a generation of bad role models, embedded distraction, and normalized immaturity. However, solutions such as increasing compliance and governance may not be a silver-bullet solution, and may in fact decrease nonprofit performance (Alam, 2011; Blumenthal & Kalambokidis, 2006; Keating & Frumkin, 2003; St. Clair, 2016). Principe et al. (2012) argued that authorities should instead focus on mission-nurturing and scrutiny, rather than financial scrutiny only. Bradley (2015) showed that accountability and transparency can indeed improve, not through stricter regulation but rather when the community (Berg, 2010), employees, and other stakeholders get actively involved. This moves the locus of the anti-fraud measures from external agents to the employees themselves, who, once engaged, are less likely to commit fraud and more likely to dissuade their peers from misbehavior. Interestingly, similar debates around community involvement in social wealth creation have also started in management research (e.g., Lumpkin & Bacq, 2019; Markman, Waldron, Gianiodis, & Espina, 2019). Unfortunately, governments and nonprofits alike still pay disproportionate attention to tax exemptions and competition, disregarding the role that employees and beneficiaries can play in the improvement of reporting practices and nonprofit management more broadly (Berg, 2010; Bradley, 2015).

Condition 3: Detection and prosecution inconsistencies. Our examination reveals a tenuous relationship between tax-exempt nonprofit misconduct and external enforcement and prosecution (i.e., by the IRS or criminal justice bodies). Evidence suggests that nested within this tenuous relationship is the issue of unintentional avoidance of misconduct detection and prosecution.

First, detection and prosecution are seen as inconvenient and nonconducive for a number of reasons, pertaining to enforcement power, chances of repayment, and ineffectiveness of current mechanisms. Hackney (2017) suggested that the IRS does have the teeth, but not the time, effort, or energy, to enact appropriate oversight. As such, it is limited in its ability to prevent misconduct and fraud—despite the 1996 and 2002 amendments that gave the IRS further flexibility in pursing nonprofit wrongdoers (Gilkeson, 2007). This is aggravated by the fact that monetary and reputational costs of detecting and prosecuting tax-exempt nonprofits are seen as overshooting the sum of the community benefits provided (Peters, 1995). As Singh et al. (2018) showed in their study of community benefit spending, for more than 18,000 hospitals in the United States, stricter oversight alone does not lead to higher community benefits. This is particularly worrisome considering evidence suggesting that the chances of repayment after a successful prosecution are actually very low (Peters, 1995). Relatedly, evidence has pointed to external oversight inconsistency issues pertaining to the types and uses of fraud detection instruments. In their study of fraud in Australia and New Zealand, Kummer et al. (2015) found that most fraud detection measures do not increase detection. The most effective instruments—fraud control policies, whistleblower policies and fraud risk registers—are rarely used, and the most commonly used are not necessarily the most effective.

To deal with this problem, Hielscher, Winkin, Crack, and Pies (2017) suggested that detection and prosecution agencies should transfer oversight responsibilities to, or at least share them with, the tax-exempt nonprofits, focusing on collective self-regulation instead. However, this takes us back to the problem of expected unprofessional managerial behavior. Professionalization promotes self-regulation (AbouAssi & Bies, 2017), but there are few expectations of this becoming a norm in the tax-exempted nonprofit world (Kummer et al., 2015).

Another source of inconsistency relates to reputational risks for detection and prosecution agencies (Marks & Ugo, 2012). If prosecution of tax-exempt nonprofits is unsuccessful, the IRS may be placed under the spotlight as a tormentor of do-gooders, who become victims in the process (Gilkeson, 2007). The problem of external oversight prevails when the IRS is criticized as misaligned with the intended benefits of tax-exempt nonprofits, which occurs when they target a "few bad apples" (Mead, 2008). Aprill (2014) attributed this to a fundamental problem with the IRS's enforcing power highlighted above. It is not surprising, then, that detection and prosecution end up focusing on damage control rather than on fraud detection measures that can actually reduce damage (Kummer et al., 2015).

We also find inconsistencies in the role of public scrutiny in impacting detection and prosecution. After analyzing roughly 2,000 regulatory investigations in the United Kingdom between 2006 and 2014, the authors concluded that investigations are most likely to be triggered by complaints from members of the public, particularly around issues concerning governance and misappropriation of resources (McDonnell & Rutherford, 2017). However, the effect of public scrutiny varies inconsistently. When it comes to fraud, public scrutiny increases in line with the amount of tax exemption received, not with the severity of the fraud itself. In the best-case scenario, public scrutiny varies with the nonprofit category involved, the types of victims, and the perpetrators (Greenlee et al., 2007). This is problematic since the size of the tax benefit tends to influence public perception regarding community benefits delivered (Rosenbaum et al., 2015). Thus, when it comes to the effect of public scrutiny on detection and prosecution, it all becomes a game of perceptions.

Finally, stricter regulatory compliance tends to trigger the development of more complex nonprofit structures. After observing five environmental nonprofit groups in the United States, Kerlin and Reid (2010) found that instead of improving reporting practices, stricter regulation incentivizes nonprofits to combine organizational structures, finances, and programming and form additional, related tax-exempt entities. Others have argued that stricter regulatory compliance ends up suffocating nonprofits as it leads to unnecessary burden (Alam, 2011) and costs (Blumenthal & Kalambokidis, 2006). In a study of 30,841 public charities in New York, St. Clair (2016) found that the burden and costs associated with financial regulations further increase avoidance behavior. High-revenue tax-exempt nonprofits either forego or fail to report in avoidance of the requirements. This becomes paradoxical, since stricter regulation ends up decreasing the efficiency of the misconduct reduction measure. In their study of environmental tax-exempt nonprofits, Kerlin and Reid (2010) showed that changes in regulatory policy compound complexity—such as reshaping the organizational structures, finances, and programming—without effectively reducing wrongdoing. In light of this, lack of prosecution either gives tax-exempt nonprofits leeway or overlooks misconduct until the problem reaches the media, if it ever does (McDonnell & Rutherford, 2017). This problem is also linked to issues with the application of tax rules. As seen in the cases of the NCAA and Marijuana sellers, tax rules are not entirely clear for several subcategories (Colombo, 2010). In the case of some taxable activities, the creation of joint ventures and suborganizations within the extant tax-exempt nonprofit structure makes it difficult for the IRS to decouple activities. This makes oversight more complex and fraud detection and prosecution highly inconvenient. Compounding this are occasional breaches in scope-of-activities clarity. After studying a sample of 110 nonprofits receiving tax exemptions, the IRS found that in 2004 75% of them had violated tax law by engaging in political campaign activities that year. Many of these organizations simply did not understand the scope of prohibition. Instead of lobbying in their personal capacities, their leaders mistakenly spoke on behalf of their organizations (Lavarda, 2009).

In sum, we can observe an emerging cross-disciplinary agreement in terms of problems with external oversight. Perhaps, as Singh et al. (2018) suggested, instead of devoting efforts to ineffective and counterproductive external prosecution, regulation should focus on bringing beneficiaries closer to the service providers, their mission, and reporting mechanisms. Singh et al. (2018) proposed allocating more resources to understanding community needs, which would in turn trigger more extensive and accurate community benefit spending.

Self-Reinforcing Conditions and the Emergence of the Value-Detracting Triad

In Table 2, we offer a summarized view of conditions and respective enablers, which collectively explain value detraction.

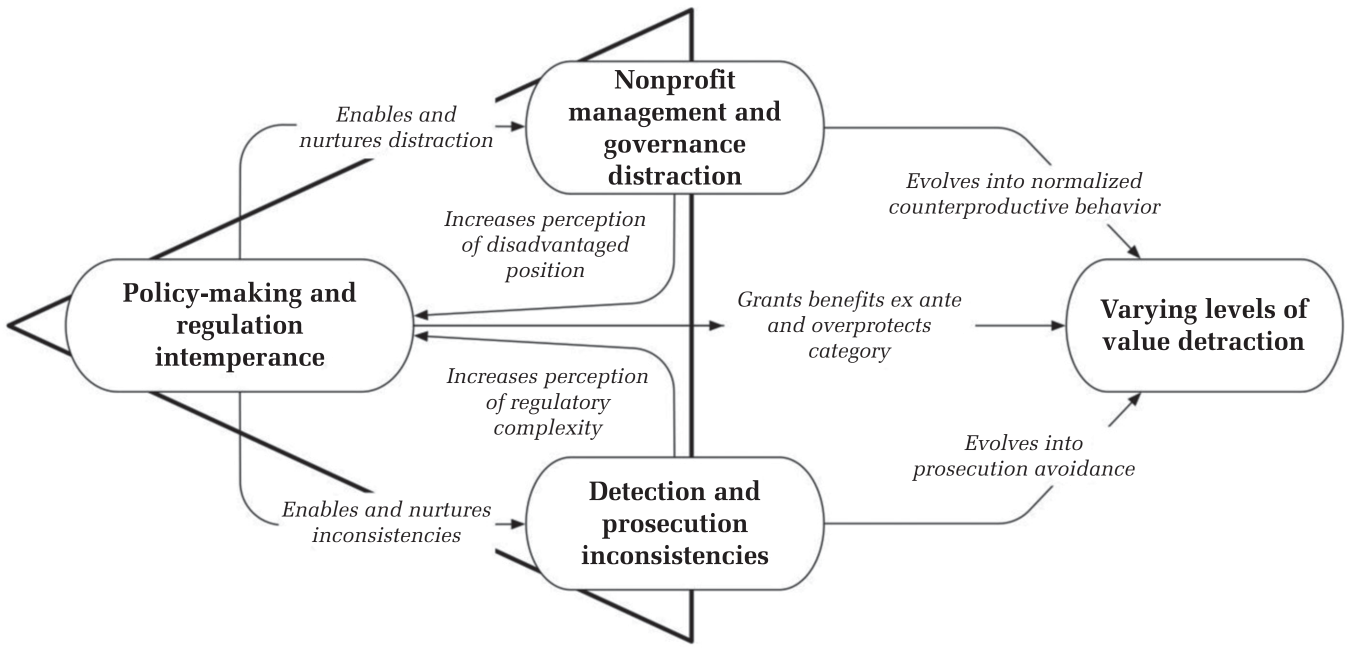
Examining Table 2, we noticed that the conditions and respective enablers interact and reinforce each other. Our findings suggest that policy and regulatory intemperance enables and nurtures negative behavior in some tax-exempt nonprofits, which is sustained over time through oversight distractions, rooted in frail management and governance structures. Such distraction leads to normalizing misbehavior ranging from lax governance to fraud, which is problematic for tax-exempt nonprofits, their beneficiaries, and the category as a whole. Simultaneously, regulators and other enforcing agencies face additional complications due to the inherent regulatory complexity and the reputational and financial risks associated with prosecution. Consequently, prosecution is seen as inconvenient and is avoided when possible. This amplifies the problem of policy intemperance, as tax-exempt nonprofits are seen as requiring continuous protection in the form of exclusive incentives and unsophisticated enforcement.

Interactions and self-reinforcing mechanisms form a value-detracting triad, which forms the basis of a framework for spotting negative-return situations. We argue that in the presence of three of these conditions, negative returns to society are likely to be sustained and encouraged. Even more disturbingly, they will likely escalate over time. Figure 1 provides a visual representation of how the conditions interact and reinforce each other, leading to varying levels of value detraction.

DISCUSSION

A unique and underexplored aspect of nonprofits are the tax exemptions they receive, which are given in exchange for the value they deliver to communities (Buckles, 2005; Walker & Sipult, 2011). Even though this community benefit principle is a widely used logic for granting tax exemptions, there is far too much room for interpretation and manipulation. Tax-exempt nonprofit value detraction is a big problem that cuts across policy, management, and prosecution domains. Scholars and policy-makers need to step up to this research challenge because not all tax-exempt nonprofits deserve the tax exemption they receive. To determine the value that each tax-exempt nonprofit is creating for society (both positive and negative), a good, reliable, and repeatable calculous for return on tax exemption is needed. This is particularly relevant in situations of detraction, and requires a clear understanding of the antecedents leading to value detraction. Therefore, in this paper

FIGURE 1
The Tax-Exempt Nonprofit Triad: A Framework for Identifying Value-Detracting Situations



we focus on the conditions under which tax-exempt nonprofits detract value from society.

Grounded in 15 years of cross-disciplinary research, we identify three main conditions that drive negative returns to society: *policy-making and regulation intemperance, nonprofit management and governance distraction,* and *detection and prosecution inconsistencies*. We blame three entities—policy-makers, nonprofits, and enforcing bodies—for the these three conditions, which account for the complexity of the value-detracting problem. Overall, our finding can be used to inform future scholarship and policy-making. We proceed by focusing on the implications of each of our three findings; more specifically, the types of research questions that scholars should be trying to answer and the implications for policy-makers—that is, what they should be asking themselves right now.

Research Implications

Advancing management research on tax-exempt nonprofit policy-making and regulation. Tax exemptions continue to be granted in a broad and unreflective manner, despite the evidence of negative returns, uneven expectations, and confusing assumptions. Two areas of scholarship worth expanding in this regard are category membership and competition.

Tax-exempt nonprofits are granted tax-exempt status because of what they say they are (charitable purpose and mission), and not because of what they do (behavior and outcomes). This is a serious issue that deserves attention, as it impacts organizational legitimacy, performance, and accountability. So far, tax exemptions have been viewed as a distinctive feature of nonprofit organizations, acting as a powerful classification mechanism for nonprofits. Such distinctions are important because they act as a valuable mechanism in market efficiency (Vergne & Wry, 2014), define boundaries for competition (Colombo, 2006), regulate market size (Kanaya et al., 2015), and ultimately reflect nonprofits' efforts to fit in and stand out (Hannan, Pólos, & Carroll, 2007; Hsu, Hannan, & Pólos, 2011; Negro, Hannan, & Rao, 2010). The profits made by the NCAA and Marijuana sellers, the fact that grassroots organizations are excluded from the category (despite their purpose and the value they create), and the incongruences between the value of tax exemptions and perceptions of community benefits are clear signs of category conflicts, in terms of both membership and cross-boundary competition. This paper highlights a category dogma and reveals a problematic gap in our understanding of whether and how this classification mechanism works, what it actually delivers, and whether the value exceeds the associated costs.

Scholars ought to engage in research that reveals additional insights into the tax-exempt nonprofit category, such as who they are, what they do, whether and how they compete, and what commensurable value they create. Answering questions about the actual prosocial value created and the impacts of broadening competition, to include nonexempt social organizations, would help advance policy-making in this space. For example, by tracking a set of prosocial organizations (some that have tax-exemptions and some that do not) we might be able to assess the true value and impacts that organizations create in communities, the costs and benefits of changing the existing exemption structures, and the advantages and disadvantages of modifying accountability approaches. Overall, this may yield interesting insights into tax-exempt nonprofit misconceptions, such as their lack of distinctiveness, societal trust, true legitimacy, and membership as a critical first responder to issues of inequality and other grand challenges.

Advancing management research on tax-exempt nonprofit governance. Another finding is that tax exemptions are not matched with appropriate boundaries or expectations, and the neglect of accountability structures and poor governance are met with trivial consequences. In this context, two scholarly arenas may provide new and interesting insights: engaged governance and behavioral aspects of nonprofit management.

First, the positive effect of volunteers and beneficiaries on accountability and governance practices has been largely overlooked by management scholarship and policy-making. Our findings situate this issue at the intersection of these two realms and sheds light on two problems that require answers: (a) how, why, and with what consequences are volunteers and beneficiaries neglected by nonprofits and policy-makers; and (b) what new management knowledge and tools, at the intersection of taxation and governance, are required to effectively engage them as part of a more cohesive governance structures. Public administration scholarship has contributed to our understanding of collaborative public management and collaborative governance within governmental institutions (e.g., Kapucu, Yuldashev, & Bakiev, 2009; Leach, 2006; McGuire, 2006); however, management research and organization studies have yet to provide answers to these thorny questions. We provide scholars with an enhanced platform upon which to understand and further examine these two critical areas.

Second, the value-destroying triad we present here highlights the need for more research that investigates the behavioral problems at the intersection of tax policy, governance in prosocial organizations, and oversight. Taxation regulation, as a motivator for desired behavior, has been traditionally taken for granted, especially in the field of management (Hanlon & Heitzman, 2010; Markman, Caton, & Gamble, 2020; Rupert & Wright, 1998). This includes productive and counterproductive effects of taxation on managerial decisions and actions (Hanlon & Heitzman, 2010; Rupert & Wright, 1998). Our evidence suggests that regulators and prosecutors may be perpetuating normalized improper managerial behavioral, failing to enforce category-appropriate limits, or shielding tax-exempt nonprofits from normal everyday business frustrations. As seen in other areas of human development (McIntosh, 1989), the conditions we identify can eventually escalate through the triad toward excessiveness, self-interest, and widespread immature conduct (Gupta, 1999), which turn a solvable managerial problem into an intractable one. Cognitive development research has argued that overindulgent behavior leads to unrealistic worldviews and diminishes skills such as perseverance, coping with failure in effective ways, and collaborating with others (Bredehoft, Mennicke, Potter, & Clarke, 1998). Management researchers interested in behavioral aspects of nonprofit governance could investigate, in experimental settings, the decision characteristics (Spicer & Becker, 1980; Stinson et al., 2017) of donors, nonprofits' managers, and recipients when tax and governance variations are used simultaneously to motivate or hinder behaviors. Our findings reveal that the explanations for misbehavior are more complex than originally thought, as it involves multiple levels, numerous causes, reinforcing cycles, and intricate consequences.

Advancing management research on tax-exempt nonprofit detection and prosecution. Our last finding is that detection and prosecution of tax-exempt nonprofits is largely deemed inconvenient and nonconducive, which is matched with inconsistent fluctuations in public scrutiny. To advance management research, three areas should be considered. First, there is an opportunity for scholars to investigate ways to develop a deeper appreciation for nonprofit value-destroying detection and prosecution. This means that it is essential that management scholars be well-versed in political and legal discourse, integrating key legal cases into their contextual formulations. Academic activism in social sciences (Choudry, 2020), a renewed emphasis on public intellectualism (Dallyn, Marinetto, & Cederström, 2015; Marks, 2017), and the growing interest in academic engagement (Boa et al., 2010) and impact (Elangovan & Hoffman, 2021; Tihanyi, 2020) can shed light on possible roads ahead.

The second area pertains to the counterproductive tendency of tax-exempt nonprofits expanding into taxable markets. The growing trend of hybrid business modeling in nonprofits has gone unanswered, under the assumption that an expansion into taxable markets can improve financial prospects and create more competitive (hybrid) charitable organizations (Haigh, Walker, Bacq, & Kickul, 2015). Our findings show that the exploitation of complementarities is creating extremely blurry boundaries between taxable and nontaxable activities, not delivering economic value and affecting the capacity of government agencies to decouple complementary activities and detect and prosecute wrongdoers. more critical research on hybridity is needed. The double-edged sword of becoming a hybrid organization (with taxable and nontaxable activities), and the consequences thereof, have been largely explored at the level of logics and performance (Muñoz, Cacciotti, & Cohen, 2018; Parker at al., 2018), but many questions have yet to be answered around the decoupling of hybrid logics, wrongdoing in hybrids as a result of entering taxable markets, and the relationship between hybridity and detection and prosecution.

A third area pertains to the effect of political and religious orientation on detection and prosecution. As in the case of hybridity, research has largely overlooked the role and effect of political views, political campaigning, and belief systems in organizations, beyond ethics, decision-making, and strategizing (Gundolf & Filser, 2013). Our findings bring to light problematic situations at the intersection of tax rules, governance, and prosecution, which yield unjustified asymmetries across subcategories. This, in terms of how different tax-exempt nonprofits receive alternative prosecution treatments as a result of what they profess and advocate for, rather than what they do.

Policy Implications

Policy-making and regulation. Policy-makers should reconsider the relatively easy path that an organization can take to join the tax-exempt nonprofit category and how, and with what effects, they are being protected from competition. In general, this exemption status is granted when religious, educational, scientific, cultural, environmental, health, or human service organizations meet the IRS's modest exemption criteria. This involves declaring a charitable purpose and a clear limitation of power. Alongside avoiding political activity, maintaining tax exempt status requires filling in an annual tax return (e.g., IRS form 990) and adopting a series of approved practices (e.g., paying reasonable salaries, accounting for unrelated income, and maintaining basic governance formalities, among others). This simple set of requirements creates a series of knock-on effects within nonprofit markets and competition, which unintendedly leads to value detraction. One area that requires further attention is tax-exempt nonprofit reporting. The absence of thoughtful reporting mechanisms, such as a three-year integrated dashboard, overlooks a need to share insights on the return on exemptions. Simply put, more transparent modalities or tools where everyone can tell the extent to which every tax-exempt nonprofit is contributing to society would be helpful. Taken together, reducing the number of nonprofit tax exemptions, pushing for improved reporting mechanisms, and reconsidering why and how tax-exempt nonprofits are protected from competition are necessary steps. The high level of intemperance needs to be halted immediately.

Nonprofit management and governance. Policy-makers need to engage with nonprofit leaders, so they are constantly focusing on the relationship between their exemptions, performance, and value created. As evidenced in this paper, exemptions may inadvertently encourage suboptimal performance—or, worse, be used for nefarious purposes (Harris et al., 2017). Policy-makers should be asking whether more and clearer behavioral boundaries and expectations of the nonprofit management team are required. Most of the explanations so far have been focused on efficient causes and immediate consequences (i.e., the effect of stricter regulation on regulatory compliance). We see room for improvement that would require policy-makers to expand their repertoire and consider also the material, formal, and final causal structures. Our research offers insights into alternative causes, such as the interconnected effects of the physical properties of the tax-exemption problem (e.g., the role of IRS form 990), the tax-exemption blueprint (e.g., alterative mixtures of state and federal laws), and the ultimate purpose of the tax exemption (e.g., community benefits).

Detection and prosecution. In terms of political and religious orientation, the fact that many churches are exempt from filing form 990 should be a strong enough signal to policy-makers (and the general public) interested in improving detection and prosecution mechanisms that audit and assurance standards need to be raised. For example, places of religious worship should have to file returns, undergo audits, and at a minimum be required to pay land taxes. Not doing so perpetuates the politicized nature of the benefit and assumed social value delivered by nonprofits. The reality is that tax exemptions are a taken-for-granted benefit and need to be thoroughly understood. To avoid further value-detracting situations, government actors must revisit their long-held belief that tax exemptions, and particularly the associated controls, should continue along the same path. Answering some of the questions raised above can aid agencies toward this end. National and local criticisms of the IRS's oversupply of tax exemptions continue, especially in cases of Ivy League schools with multibillion-dollar endowments, and institutions garnering exemptions based on religious grounds. This evidence should be another signal that building stronger alignment across tax-exempt nonprofit entities—through policy, governance, and detection and prosecution—is needed.

CONCLUSIONS

This paper advances understanding of the darker side of nonprofit tax exemptions by clarifying the interacting conditions under which tax-exempt nonprofits detract value from society: *policy-making and regulation intemperance, nonprofit management and governance distraction,* and *detection and prosecution inconsistencies*. In doing so, we show how a siloed understanding of value detraction is problematic. We shed light on ways forward by describing key antecedents of value detraction. Through our findings, and recommendations, we hope to inspire more research in this space and also move the needle on much-needed policy change.

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APPENDIX A

METHODOLOGICAL PROCEDURE AND INTEGRATIVE REVIEW ANALYSIS

Integrative Review Approach and Selection Procedure

In this review, we seek to synthesize widespread empirical evidence delineating the domain and critically assess the taken-for-granted aspects nonprofit tax exemptions. Our integrative review encompasses research on nonprofits and tax exemption and draws on scholarly work from a variety the fields, beyond the usual scope of management research. As such, we employed a large-scale cross-disciplinary review method. First, we ran a literature search of articles published in the Web of Knowledge database using the keyword combination nonprofit* AND tax* from 2003 to 2019, leading to over 500 articles, chapters, and editorials. We refined the sample by selecting only research articles across 16 relevant subcategories (i.e., business, business finance, economics, ethics, health care sciences services, health policy services, law, management, planning development, political science, public administration, public environmental occupational health, social issues, social sciences interdisciplinary, sociology, and urban studies). These categories were selected as they all contained five articles or more. This procedure yielded 254 research papers.

Second, we refined the list using alternative exclusion keywords. Using exempt* as an exclusion keyword the sample was reduced to 113. In a second attempt, we found subsets of 20 articles for governance and roughly 15 articles for scandal*, wrongdoing, or misconduct. While we decided to use the 113 from the nonprofit* AND tax* AND exempt* combination, the alternative searches allowed us to identify and manually select critical papers for our review.

Third, to expand the sample further we used the three most cited papers examining issues within tax-exempt nonprofits (i.e., "Fraud and corruption in US nonprofit entities: A summary of press reports 2008–2011," [Archambeault, Webber, & Greenlee, 2015]; "An investigation of fraud in nonprofit organizations: Occurrences and deterrents," [Greenlee, Fischer, Gordon, & Keating, 2007] and "Managed

TABLE A1
Sample Domains and Distribution

Domain	No. papers (n = 143)	Sample distribution (%)
Accounting	14	10
Economics	2	1
Ethics and SR	4	3
General management	2	1
Law	27	19
Planning	2	1
Public sector	52	36
Sector studies	37	26
Social sciences	3	2

morality: The rise of professional codes of conduct in the US nonprofit sector" [Bromley & Orchard, 2016]) to conduct a manual search of relevant papers across those citing these papers. We added 31 new papers to the list for a final sample of 143 papers, which we first grouped and then categorized by source and discipline, and subsequently prioritized based on thematic fit. In making sense of the sample of papers considered for this review, we first categorized the papers along 12 subjected areas expanded from the Association of Business Schools' Academic Journal Guide (ABS AJG),[2] including: accounting, economics, entrepreneurship, ethics and social responsibility, general management, law, organization studies, planning, psychology, public sector, sector studies, social sciences, and strategy. Unlike other rankings, the ABS AJG list is broad, comprising 22 categories that collectively cover most of the research spectrum conducted by scholars involved in schools of business, management, or economics. We found no papers in entrepreneurship, organization studies, psychology, or strategy. Table A1 shows the domains and distribution of the papers. Out of the nine subject areas reported, three (law, public sector, and sector studies) account for 81% of the published papers in the 15-year period. In Table A2 we report the 27 journals with two or more papers in the list.

Categorization and Prioritization

To prepare our data for analysis, we coded each paper according to four prioritization criteria. As seen in Table A3, we ranked the papers in a continuum from 1 to 4, with 1 being 100% on the phenomenon of interest and 4 being only tangentially aligned with the phenomenon. In categories

[2] https://charteredabs.org/academic-journal-guide-2018/

TABLE A2
List of Most Relevant Journals

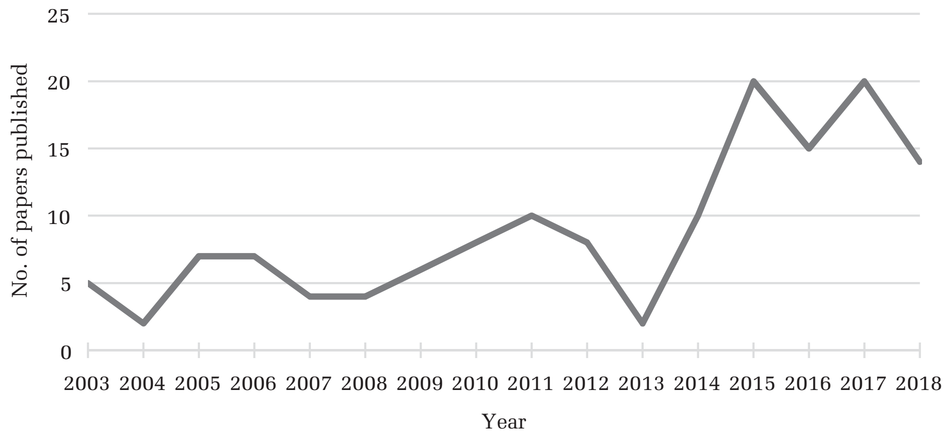
Journal	No. of papers
Nonprofit and Voluntary Sector Quarterly	23
Voluntas	8
Health Affairs	6
Iowa Law Review	6
American Journal of Public Health	5
Inquiry: Journal of Health Care Organization Provision and Financing	5
Journal of Public Health Management And Practice	5
Journal of Health Politics Policy And Law	4
Journal of Healthcare Management	4
Public Administration Review	4
Health Care Management Review	3
National Tax Journal	3
University of Illinois Law Review	3
Accounting Horizons	2
Duke Law Journal	2
Fordham Law Review	2
Health Services Research	2
Indiana Law Journal	2
Journal of Accounting And Public Policy	2
Journal of Business Ethics	2
Journal of Legal Education	2
Journal of Urban Affairs	2
Michigan Law Review	2
Nonprofit Management and Leadership	2
Nonprofit Policy Forum	2
Public Management Review	2
Vanderbilt Law Review	2

TABLE A3
Prioritization Criteria

Priority	Criteria	No. of papers	Proportion (%)
P1	NP + TE (explicitly) + misconduct (i.e., scandal; wrongdoing; fraud; poor reporting, accountability, or governance; or misbehavior)	25	17.5
P2	NP + TE + a focused TE call (i.e., problems, vulnerabilities, examinations, reforms, justifications, questioning worth, investigations, clear concerns raised, structural limitations, identified gaps)	59	41.3
P3	NP + TE (semi-light) + a focus on the NP (i.e., comparisons, tensions, paradoxes, merits)	40	28.0
P4	NP + TE (light) + not overly clear	19	13.3

Note: NP = nonprofit; TE = tax exempt.

FIGURE A1
Evolution of Reviewed Literature



1 and 2, 84 papers (~60% of the sample) were used for the primary analysis and data structuring. Papers in category 3 were used as a complement to help us make sense of or strengthen the main findings. While these papers did not deal with wrongdoing in tax-exempt nonprofits directly, they tackled related topics such as tensions, paradoxes, comparative performance, cost–benefit issues, information asymmetries, unfair competition, CEO incentives and overpayments, and operational inefficiencies in tax-exempted nonprofits, which are useful to inform the development of more complete picture of the problem space. Papers in category 4 were considered as complementary material to strengthening our emerging argumentation. The selected 84 papers are shown in Table A5.

Distribution and Evolution of Literature

In our data we observe that the number of studies published in this space remained relatively stable for 10 years and grew significantly from 2014 onwards (Figure A1). Most of the research reviewed was quantitative, including empirical studies and evidence reviews (58%). As with any problem space struggling to resolve the complex causes of wrongdoing, it can be expected that most papers aimed to test causal relationships, for example costs and benefits of tax exemptions, effect of regulation over tax-exempt nonprofit governance. (e.g., cost–benefit, regulation–governance). We also found a significant number of evidence-based research notes (17%) or reflective papers (14%), with most of them analyzing the legal implications of regulatory changes and litigation. We also found a relatively small amount of qualitative studies (11%) looking at, for example, perceptions of regulatory compliance, the public image of tax-exempt nonprofits, and trust in their boards. Table A4 provides details on the thematic, contextual, and methodological distribution of our sample. As seen in Table A4, the vast majority of studies reviewed examined

TABLE A4
Thematic, Contextual, and Methodological Distribution

Focal context	No.	Approach	No.	Focal industry	No.
United States	71	Quantitative	40	Health	25
China	1	Qualitative	9	Cross-industry	41
Taiwan	1	Conceptual	12	Environmental protection	2
Lebanon	1	Evidence review	8	Education	3
United Kingdom	3	Mixed methods	1	Sports	1
Australia	2	Research note	14	Marijuana	1
Cross-country	3			Worship	2
NA	2			NA	9

Note: Papers in categories 1 and 2, $n = 84$. NA, not applicable.

FIGURE A2
Data Structure

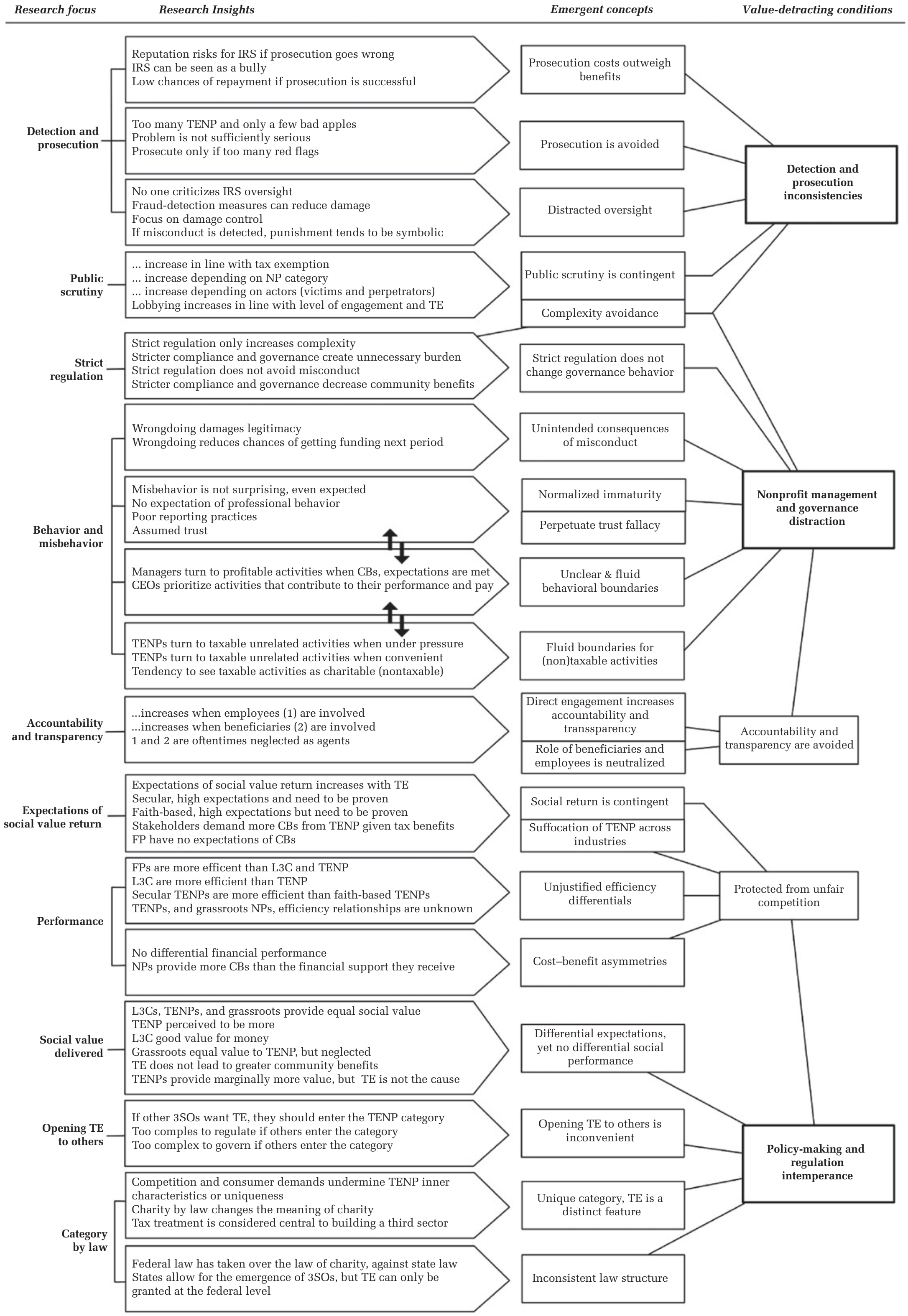


TABLE A5
Reviewed Studies

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2001	The public image of the nonprofit sector has been tarnished by scandals and nonprofit boards have become sensitized to this, since they cannot afford it. Public skepticism affects charitable giving and fund-raising capability.	United States	Cross-industry	Media data on publicized incidents of alleged nonprofit wrongdoing from 1998–2000.	Qualitative	"Very public scandals: Nongovernmental organizations in trouble"	*Voluntas*
2003	Taxable complementarities can lower production costs and make it easier for a nonprofit to allocate joint costs from tax-exempt to taxable activities. Case for hybridity.	United States	Cross-industry	703 tax-exempt nonprofits' tax return data (1,824 observations) from NCCS	Quantitative	"Nonprofit taxable activities, production complementarities, and joint cost allocations"	*National Tax Journal*
2003	Financial-reporting model is insufficient for adequate disclosure, leading to an undesirable system of nonprofit accountability.	United States	NA	Structure of nonprofit financial reporting and alternative systems	Conceptual	"Reengineering nonprofit financial accountability: Toward a more reliable foundation for regulation"	*Public Administration Review*
2004	Joint ventures between tax-exempt nonprofit and for-profit hospitals improve collaboration and efficiency, yet threaten tax-exempt status.	United States	Health	9,000 articles with joint venture announcements from 1994 to 2001	Quantitative	"An empirical investigation of for-profit and tax-exempt nonprofit hospitals engaged in joint ventures"	*Health Care Management Review*
2005	Nonprofits are part of the community; thus, their income is community income. Communities cannot be taxed; thus, neither should nonprofits.	United States	NA	Community income and tax exemptions	Conceptual	"The community income theory of the charitable contributions deduction"	*Indiana Law Journal*
2005	Stakeholders demand more community benefits from tax-exempt nonprofits given tax benefits, suffocating tax-exempt nonprofits across industries. Necessary improvements: align compensation with mission, better define community	United States	Cross-industry	Efficiency, financial performance, and community benefits in tax-exempt nonprofit vs. for-profit	Evidence review	"The plight of the not-for-profit"	*Journal of Healthcare Management*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	benefits, better classify community care.						
2005	Prioritizing taxable activities under nonprofit structure does not deliver results. Despite the hype, earned income accounts for only a small share of funding in most nonprofit domains, and few of the ventures that have been launched actually make money.	United States	Cross-industry	Revenue trends 1991–2001 reported on IRS form 990	Quantitative	"Should nonprofits seek profits?"	*Harvard Business Review*
2005	Size matters—life is easier for large tax-exempt nonprofits. Larger and better-known nonprofits tend to take advantage of policy changes more quickly than do small nonprofits. This damages the vast majority of nonprofits due to competitive disadvantage and weak accountability in the sector.	United States	Cross-industry	Tax-exempt nonprofits' tax returns from Arizona's charitable tax credit program in 2000	Quantitative	"Who gains from charitable tax credit programs? The Arizona model"	*Public Administration Review*
2006	Public funding, subsidies, or contracts (and eventually tax-exemption) trigger active lobbying.	United States	Cross-industry	Survey data, 700 nonprofits based in Washington, DC	Quantitative	"Funding faction or buying silence? Grants, contracts, and interest group lobbying behavior"	*Policy Studies Journal*
2006	Cost-efficiency in tax-exempt nonprofits is not homogenous and depends on type. Under the same quality, religious nonprofits are the less efficient form in terms of costs and allocation. Boards in pursuit of socially superior goals may diverge from efficiency. Relative economic performance should be considered by policy-makers.	United States	Health	Religious-affiliated, government, and private-sector nursing homes	Quantitative	"Comparative performance and quality among nonprofit nursing facilities in Texas"	*Nonprofit and Voluntary Sector Quarterly*
2006	Tax exemption is not needed, as there is no differential	United States	Health	Federal Trade Commission and Department of	Evidence review	"The role of tax exemption in a	*Journal of Health Politics Policy and Law*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	financial behavior. Exposure to competition seems beneficial.			Justice 2004 report on competition in health care		competitive health care market"	
2006	Assumption that tax exemption leads to greater community benefits does not hold. Nonprofits provide marginally more value, but tax exemption is not the cause. In the absence of evidence, tax-exempt nonprofits end up buying social benefits.	United States	Health	Community benefits and tax exemption	Note	"Perspective—Tax preferences for nonprofits: From per se exemption to pay-for-performance"	*Health Affairs*
2006	Nonprofits deliver more social value than do for-profits, but mandatory community benefits, due to tax exemption, undermine mission and social outcomes.	United States	Health	Tax exemption, community control, and community benefits	Note	"Perspective—Nonprofit ownership, private property, and public accountability"	*Health Affairs*
2006	Compliance costs to maintain tax-exemption status are significant.	United States	Cross-industry	Random sample of 612 nonprofits from NCCS	Quantitative	"The compliance costs of maintaining tax exempt status"	*National Tax Journal*
2007	Fraud reduces resources available to address tax-exempt purposes, but in subsequent periods. Fraud does not affect current status. Characteristics of nonprofit category, victims, and perpetrators matter.	United States	Cross-industry	Random tax-exempt nonprofits from Certified Fraud Examiners. 508 occupational fraud cases.	Quantitative	"An investigation of fraud in nonprofit organizations: Occurrences and deterrents"	*Nonprofit and Voluntary Sector Quarterly*
2008	Lax governance has led to new mandatory board structures and practices. Strict regulation does not change practice, and there is not much regulators can do on that front.	United States	Health	Structure and practices of nonprofit hospital boards	Quantitative	"Governance and community benefit: Are nonprofit hospitals good candidates for Sarbanes-Oxley type reforms?"	*Journal of Health Politics Policy and Law*
2009	Tax-exempted nonprofits attract too much attention, undermining other grassroots organizations. The value of social enterprise as a whole far exceeds the contributions of tax-exempt nonprofits.	Cross-country	NA	Nonprofit sector, contributions, and tax-exempt nonprofits	Conceptual	"A paradigm shift in third sector theory and practice refreshing the wellsprings of democratic capacity"	*American Behavioral Scientist*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2009	Tendency to see taxable activities as charitable (and thus nontaxable) activities.	United States	Cross-industry	IRS F990-Ts	Quantitative	"Calibrating the reliability of publicly available nonprofit taxable activity disclosures comparing IRS 990 and IRS 990-T data"	*Nonprofit and Voluntary Sector Quarterly*
2009	Tax-exempt nonprofits turn to taxable unrelated activities when it is convenient or when they are under pressure, producing mission drift and distraction.	United States	Cross-industry	IRS F990 from National Center for Charitable Statistics 1990–2004	Quantitative	"Determinants of nonprofits' taxable activities"	*Journal of Accounting and Public Policy*
2009	Tax-exempt nonprofits increase community benefits to justify generous tax exemption, particularly in the health context. As key stakeholder, communities can influence tax exemption and health policy. Yet, communities remain ignored by governments and nonprofits, since the attention is on tax exemption and competition.	United States	Health	Tax exemption, community benefits and health policy	Note	"Putting the community back in community benefit: Proposed state tax exemption standard for nonprofit hospitals"	*Indiana Law Journal*
2009	There is a thin line between personal and organizational involvement in prohibited activities, as becomes evident in tax-exempt nonprofit leaders' involvement in political campaigns. The scope of prohibition is broader and includes personal involvement.	United States	Cross-industry	IRS 2004 study of 110 tax-exempt nonprofits involved in political campaigns	Note	"Nonprofits: Are you at risk of losing your tax-exempt status?"	*Iowa Law Review*
2010	If L3Cs receive tax exemptions, it will affect nonprofits because of competitive issues. It might also trigger issues within the tax-exempted category, leading to tax arbitrage. More competition can eventually	United States	Cross-industry	L3C and 501(c)	Conceptual	"The attack on nonprofit status: A charitable assessment"	*Michigan Law Review*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	trigger misbehavior in nonprofits.						
2010	CEOs tend to prioritize activities that contribute to their performance and pay, undermining unattractive yet beneficial activities for the community.	United States	Health	35 CEOs from 29 nonprofit hospitals from 1998 to 2006	Qualitative	"Not-for-profit hospital CEO performance and pay: Some evidence from Connecticut"	*Inquiry-The Journal of Health Care Organization Provision and Financing*
2010	Strict regulatory compliance does not avoid misconduct; it triggers the development of more complex nonprofit structures.	United States	Environmental protection	5 environmental nonprofits, complex structures and advocacy	Qualitative	"The financing and programming of advocacy in complex nonprofit structures"	*Nonprofit and Voluntary Sector Quarterly*
2010	Tax rules are not entirely clear for several nonprofit subcategories, regarding what counts as taxable activities within nontaxable nonprofits. The IRS cannot decouple these organizations, as it is too complex once again and 990 is insufficient to capture the already underlying complexity.	United States	Sports	NCAA's tax-exemption and the tax exemption of member institutions related to taxable income	Note	"The NCAA, tax exemption, and college athletics"	*University of Illinois Law Review*
2011	Stricter regulatory compliance and governance, in response to wrongdoing, create undue and unnecessary burden and decrease community benefits. Form 990 is insufficient, and better reporting communication channels are needed.	United States	Health	IRS F990, community benefits and pay for administrators	Note	"Not what the doctors ordered: Nonprofit hospitals and the new corporate governance requirements of the Form 990"	*University of Illinois Law Review*
2011	Definition of "charitable" is contingent on needs of local governments. States that depend more on sales tax revenue are more likely to require remittance of sales tax when nonprofits regularly engage in the sale of taxable goods.	United States	Cross-industry	Data on sales tax exemption from 45 states	Qualitative	"Nonprofit sales tax exemption: Where do states draw the line?"	*Nonprofit and Voluntary Sector Quarterly*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2011	Stricter compliance does not trigger ethical imperatives for boards to provide effective oversight.	United States	Health	Various evidence linked to the work of the Panel on the Nonprofit Sector	Evidence review	"Board oversight of community benefit: An ethical imperative"	*Kennedy Institute of Ethics Journal*
2011	Tax-exemption law requires additions to make sure tax-exempt nonprofits deliver community benefits. Additions must orient themselves to local communities and demand clearer tax-exemption requirements.	United States	Health	Stricter requirements on hospitals for keeping their tax-exempt status following the Affordable Care Act	Note	"Is Senator Grassley our savior?: The crusade against charitable hospitals attacking patients for unpaid bills"	*Iowa Law Review*
2011	Nonprofit accountability is an issue of stewardship–agency relationships. Recruitment policy should be implemented to avoid internal agency problems.	NA	NA	Principal–agent relationships	Conceptual	"The governance of nonprofit organizations: Integrating agency theory with stakeholder and stewardship theories"	*Nonprofit And Voluntary Sector Quarterly*
2011	While the exemption for some forms of income is consistent with an income tax, tax exemption for investment income amounts to a subsidy that is not necessarily required by the policies that lead to the charitable deduction.	United States	NA	Income tax exemptions, subsidies, and policy	Conceptual	"Is income tax exemption for charities a subsidy"	*Tax Law Review*
2011	Organizations that disclose internal control problems over financial reporting receive fewer contributions from individuals, corporations, and foundations in the subsequent year. Internal control information appears to affect, either directly or indirectly, the funders' giving decisions.	United States	Cross-industry	27,495 public charities from 1999–2007	Quantitative	"The causes and consequences of internal control problems in nonprofit organizations"	*Accounting Review*
2011	Stricter governance regulation has increased given failure of nonprofits to appropriately act as stewards over their	United States	Cross-industry	IRS F990, pre-2003 and post-2005	Quantitative	"The impact of regulation on the U.S. nonprofit sector: Initial	*Accounting Horizons*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	financial resources. Yet, prevention of financial fraud is more beneficial for the nonprofit sector, irrespective of improvements of financial reporting quality.					evidence from the Nonprofit Integrity Act of 2004"	
2012	Authorities should focus on mission nurturing and scrutiny rather than financial scrutiny. They should ensure that tax-exempt nonprofits fulfill the missions upon which tax exemption has been granted.	United States	Health	Nonprofit hospitals, IRS F990	Evidence review	"The impact of the individual mandate and Internal Revenue Service Form 990 Schedule H on community benefits from nonprofit hospitals"	*American Journal of Public Health*
2012	Competition and consumer demands undermine tax-exempt nonprofits' inner characteristics or uniqueness.	United States	Cross-industry	Tax-exempt nonprofits' distinct features, public benefit, and tax exemption	Evidence review	"The independent sector: Fee-for-service charity and the limits of autonomy"	*Vanderbilt Law Review*
2012	Social returns need to be assessed based on type of community benefit. There are different types of community benefits: cost-quantifiable activities that justify tax exemption and unquantifiable activities that only contribute to legitimacy.	United States	Health	2006 IRS data of tax-exempt hospitals	Evidence review	"Distinguishing community benefits: Tax exemption versus organizational legitimacy"	*Journal of Healthcare Management*
2012	What constitutes charitable use varies across states, leading to strict and narrow constructions and alternative purposes and requirements for tax exemption. This is confusing and counterproductive. A more uniform system of taxing nonprofit property under the broad construction is needed.	United States	NA	Alternative constructions of charitable use	Note	"Abandoning property taxes assessed on fallow nonprofit property"	*University of Illinois Law Review*
2012	Voluntary disclosure is more likely in organizations that are smaller, have lower debt–asset	Taiwan	Health	Survey of 40 nonprofit medical	Quantitative	"The determinants of voluntary financial disclosure by	*Nonprofit And Voluntary Sector Quarterly*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	ratios, and are run by larger boards with more inside members.			institutions in Taiwan 2001–2010		nonprofit organizations”	
2013	Tax exemption is justified based on input activities, not outcomes. Instruments cannot capture benefits against which tax status is granted. Tax–community exchange is unknown; input activities and spending form an inadequate proxy.	United States	Health	Nonprofit hospitals, IRS F990	Evidence review	“Evaluating hospitals’ provision of community benefit: An argument for an outcome-based approach to nonprofit hospital tax exemption”	*American Journal of Public Health*
2013	Tax-exempt nonprofits may lose their status if they help for-profits to make or increase profit margin. This argument is based on impermissible private benefit.	United States	Cross-industry	Private benefits for investors participating in social impact bonds and tax exemption	Note	“Social impact bonds and the private benefit doctrine: will participation jeopardize a nonprofit’s tax-exempt status?”	*Fordham Law Review*
2014	Faith-based tax-exempt nonprofits provide more community benefits than do secular tax-exempt nonprofits. Yet, growth rates are the same and benefits level off under crisis. Conclusion: Religious tax-exempt nonprofits should be treated differently, and their managers reconsider the way they run their organizations.	United States	Health	American Hospital Association data	Quantitative	“Community benefits provided by religious, other nonprofit, and for-profit hospitals: A longitudinal analysis 2000Y2009”	*Health Care Management Review*
2014	In the case of tax-exempt nonprofits, public policy doctrine does not apply. Tax-exempt nonprofits with no social mission can access the benefit if they operate in a charitable way. Marijuana sellers can avoid taxes by providing community benefits and registering as 501c organizations.	United States	Marijuana	Tax loophole allowing marijuana sellers to register as tax-exempt nonprofits	Note	“Tax planning for marijuana dealers”	*Iowa Law Review*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2014	Federal law has taken over the law of charity, removing nonprofits from state law. States allow for the emergence of other third sector organizations, but tax exemption can only be granted at the federal level. Distance from regulator seems to have an effect on behavior.	United States	Cross-industry	Federal law, nonprofits, and tax incentives	Conceptual	"Federalization of the law of charity"	*Vanderbilt Law Review*
2014	A better definition of political campaign intervention is needed to regulate tax-exempt nonprofits' political activity and increase IRS power regarding income tax collection.	United States	Cross-industry	Tax-exempt nonprofits and rules regarding tax-exempt political activity	Note	"A case study of legislation vs. regulation: Defining political campaign intervention under federal tax law"	*Duke Law Journal*
2014	If administrative and political costs are greater than benefits of revenue, local officials are more likely to solicit voluntary payments from tax-exempt nonprofits. Yet, wider support for tax-exemption status reduces this likelihood.	United States	Cross-industry	Survey of 280 GFOs across 45 states	Quantitative	"Predicting use and solicitation of payments in lieu of taxes"	*Nonprofit and Voluntary Sector Quarterly*
2014	Long CEO tenure may encourage boards to develop trusting relationships with CEOs and increase reliance thereon. Multiple-constituency environment may increase the ability of CEOs to create and exploit informational asymmetries. CEOs may divide or vitiate boards to evade monitoring. Board training could emphasize that internal controls cannot substitute for independent board monitoring of CEO performance.	Cross-country	Cross-industry	Case studies of nonprofit CEO malfeasance	Qualitative	"Early responders, late responders, and non-responders: The principal-agent problem in board oversight of nonprofit CEOs"	*Human Service Organizations Management Leadership & Governance*
2015	Managerial and supervisory failure is not surprising.	United States	Health	Veterans Administration hospitals	Quantitative	"The constitutional duty to supervise"	*Yale Law Journal*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2015	Amount of tax exempted influences public opinion regarding community benefits provided. The higher the tax exemption, the higher the expectation.	United States	Health	Form 990s for 2,980 private nonprofit hospitals	Quantitative	"The value of the nonprofit hospital tax exemption was $24.6 billion in 2011"	*Health Affairs*
2015	Fraud in nonprofits is largely anecdotal. Based on nonprofit fraud and corruption reported via press reports 2008 to 2011, there is evidence of organizational compliance with IRS F990 reporting requirement regarding asset diversions.	United States	Cross-industry	115 incidents of detected fraud occurring in U.S. nonprofits	Quantitative	"Fraud and corruption in US nonprofit entities: A summary of press reports 2008–2011"	*Nonprofit and Voluntary Sector Quarterly*
2015	Charity by law changes the meaning of charity.	Australia	Cross-industry	Meaning of charity in the context of State and Territory taxing legislation	Conceptual	"Conceptualizing charity in state taxation"	*Australian Tax Review*
2015	Tax treatment is considered central to building the nonprofit sector.	China	Cross-industry	Emergent nonprofit industries, unsophisticated regulation and short of practical significance	Conceptual	"An egg vs. an orange: A comparative study of tax treatments of nonprofit organizations"	*Frontiers of Law In China*
2015	Tax benefits given by federal government to churches and clergy seem inappropriate. Requirements seem unjustified.	United States	Worship	Tax exemption for churches, tax deductibility of donations to churches, and political activity by churches	Conceptual	"The church and the tax law: Keeping church and state separate"	*Ata Journal of Legal Tax Research*
2015	Power struggles between tax-exempt nonprofits and their host taxing jurisdiction generate confusion and growing acrimony among key stakeholders.	United States	Cross-industry	Evolution of Pennsylvania's property tax exemption debate	Qualitative	"The property tax exemption in Pennsylvania: the saga continues"	*Nonprofit Policy Forum*
2015	In the context of starvation cycle hypothesis, nonprofits are spending more on executive salaries and fundraising while spending less on staff wages. Poor reporting is widespread and misreporting worsens as	United States	Cross-industry	Form 990, 25 years of nonprofit data focused on existence, duration, and mechanics	Quantitative	"Anatomy of the nonprofit starvation cycle: An analysis of falling overhead ratios in the nonprofit sector"	*Nonprofit And Voluntary Sector Quarterly*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	competition for resources increases.			behind nonprofit starvation cycle			
2015	Media exposure influences disclosure, yet large nonprofits disclose less. Religion nonprofits disclose less, and trust is assumed. Level of disclosure depends on regulatory incentives.	United States	Cross-industry	Accountability Index website data of 200 nonprofits ranked in the Chronicle of Philanthropy 2010.	Quantitative	"Accountability.org: Online disclosures by US nonprofits"	*Voluntas*
2015	Implementation of more effective fraud-detection measures reduces the damage caused to tax-exempt nonprofits and is highly relevant for practitioners. Nonprofits are more vulnerable to fraud, as they rely on trust, have weaker internal controls, and lack business and financial expertise. Fraud risk in the tax-exempt nonprofit sector is substantially greater than expected.	Australia	Cross-industry	Nonprofit fraud survey	Quantitative	"The effectiveness of fraud detection instruments in not-for-profit organizations"	*Managerial Auditing Journal*
2015	Tax-exempt nonprofits' employees are often overlooked, yet are vitally important to improving fraud outcomes. Empowering employees moves the locus of the antifraud measures from external to the employees themselves.	United States	NA	Antifraud measures and employee participation	Evidence review	"Empowering employees to prevent fraud in nonprofit organizations"	*Penn Law*
2015	There are serious issues with tax-exempt nonprofits' accountability practices. If the sector hopes to continue to enjoy its positive reputation and widespread public support, it will need to overcome the emerging skepticism toward it through	United Kingdom	Cross-industry	Annual reports of 12 nonprofits	Qualitative	"Non-governmental organizational accountability: talking the talk and walking the walk?"	*Journal of Business Ethics*

TABLE A5
(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	ethically led accountability practices.						
2016	Size matters—life is easier for large tax-exempt nonprofits. There are no immediate solutions for small "capital-starved" nonprofits to access tax-exempt capital markets.	United States	Cross-industry	131,447 observations for 23,210 nonprofits	Quantitative	"Borrowing for the public good: The growing importance of tax-exempt bonds for public charities"	*Nonprofit and Voluntary Sector Quarterly*
2016	Managers turn to profitable activities when basic community benefit expectations are met.	United States	Health	192 nonprofit hospitals from Department of Public Health, 2003– 2008	Quantitative	"Institutional pressures to provide social benefits and the earnings management behavior of nonprofits: Evidence from the US hospital industry"	*Contemporary Accounting Research*
2016	Problem is performance measurement, not tax-exempt status.	United States	Health	Financial rewards and ownership-based policies	Conceptual	"Incomplete markets and imperfect institutions: Some challenges posed by trust for contemporary health care and health policy"	*Journal of Health Politics Policy and Law*
2016	Financial regulations increase burden for tax-exempt nonprofits, increasing avoidance behavior. High-revenue tax-exempt nonprofits either forego or fail to report in avoidance of the requirements.	United States	Cross-industry	30,841 public charities in New York and nationwide comparison group of 396,836 nonprofits	Quantitative	"How do nonprofits respond to regulatory thresholds: Evidence from New York's audit requirements"	*Journal of Policy Analysis and Management*
2016	Nonprofit hospitals provide more community benefits than the material financial support they receive, through tax exemption and subsidies.	United States	Health	Tax liabilities and financial support for all Maryland acute care hospitals, 2010 and 2012	Quantitative	"What should we expect? A comparison of the community benefit and projected government support of Maryland hospitals"	*Medical Care Research and Review*

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(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2016	Large tax-exempt nonprofits, e.g., hospital systems, are major economic actors, yet do not contribute to local governments. This has severe financial consequences for welfare provision at city level.	United States	Health	PILOTs, hospital system in Pittsburgh and the City of Pittsburgh	Qualitative	"We will gladly join you in partnership in Harrisburg or we will see you in court: The growth of large not-for-profits and consequences of the eds and meds renaissance in the New Pittsburgh"	*Journal of Urban History*
2016	Voluntary payments by tax-exempt nonprofits to local governments are influenced by officials' involvement in tax-exempt nonprofits, economic conditions, and tax-exempt nonprofits' income.	United States	Cross-industry	2010 survey of local government officials in Indiana	Quantitative	"Local officials' support for PILOTS/SILOTS: Nonprofit engagement, economic stress, and politics"	*Public Administration Review*
2016	Voluntary payments by tax-exempt nonprofits to local governments are higher in towns with higher property tax rates. Overall, voluntary payment policies discourage tax-exempt nonprofit activity.	United States	Cross-industry	PILOT data from Massachusetts	Quantitative	"Are pilots property taxes for nonprofits?"	*Journal of Urban Economics*
2016	Removal of tax-exemption cap increases the use of tax-exempt debt.	United States	Education	Two comparison groups of tax-exempt nonprofit colleges and universities	Quantitative	"Leveling the playing field: the taxpayer relief act of 1997 and tax-exempt borrowing by nonprofit colleges and universities"	*National Tax Journal*
2016	Religious tax-exempt nonprofits cannot engage in political activity risking tax benefits, since religious worship can be easily confused with partisan political activity.	United States	Worship	Electioneering prohibition for religious tax-exempt nonprofits on the grounds of risks of partisan political activity	Note	"Thou shalt not electioneer: Religious nonprofit political activity and the threat God PACs pose to democracy and religion"	*Michigan Law Review*
2016	Developing codes of practice may be linked to higher standards of ethical behavior,	United States	Cross-industry	Data on code adoption by 24 of 45 state nonprofit	Quantitative	"Managed morality: The rise of professional codes	*Nonprofit and Voluntary Sector Quarterly*

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(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	but may also serve as a legitimizing symbol in a cultural context of professionalization. In the current "accountability environment," codes symbolize a nonprofit's commitment to accountability and self-regulation, thus signaling their legitimacy.			associations, 1994–2011		of conduct in the US nonprofit sector"	
2017	Beneficiaries' involvement to improve governance and accountability.	United States	Health	95 community health needs assessments and implementation plan reports	Mixed methods	"A mixed-methods approach to understanding community participation in community health needs assessments"	*Journal of Public Health Management and Practice*
2017	Public policy doctrine raise vagueness problems and fail to provide fair notice to nonprofits of what behavior is and is not consistent with maintaining tax exemption.	United States	Education	Tax exemption, morality principles, and nonprofit practices	Note	"The sexual integrity of religious schools and tax exemption"	*Harvard Journal of Law and Public Policy*
2017	Tax-exempt nonprofits make efforts to depict a positive view of their financial position. Using accounting techniques, tax-exempt nonprofits avoid reporting small negative returns, which instead appear as gains. Nonprofits behave much like for-profits, which may have stronger incentives to manipulate returns and have previously been found to do so.	United States	Cross-industry	Investment returns on Form 990	Quantitative	"Do nonprofits manipulate investment returns?"	*Economics Letters*
2017	More regulation triggers accountability concerns across tax-exempt nonprofits, yet only a minority do so persistently. No link between	United Kingdom	Cross-industry	5,124 nonprofits' accountability from 2007–2013	Quantitative	"Improving charity accountability: Lessons from the Scottish experience"	*Nonprofit And Voluntary Sector Quarterly*

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(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
	these concerns and negative organizational outcomes.						
2017	Better governance mechanisms are associated with a lower incidence of fraud in the nonprofit sector. Along IRS recommended best practices, external monitoring by donors, grantors, and lenders can play an important role.	United States	Cross-industry	1,528 charities from 2008 to 2012	Quantitative	"Why bad things happen to good organizations: The link between governance and asset diversions in public charities"	*Journal of Business Ethics*
2017	Improving nongovernmental organization (NGO) accountability to stakeholders requires identifying the underlying governance problem and focusing on collective self-regulation as a solution.	NA	NA	NGO accountability, governance, and stakeholder relationships in tax-exempt nonprofits	Conceptual	"Saving the moral capital of NGOs: Identifying one-sided and many-sided social dilemmas in NGO accountability"	*Voluntas*
2017	Trust in the charity sector cannot be assumed: the sector has to demonstrate that the trust it receives is justified. Charity ratings play no role in individual donors' contributions. Institutional innovation, and charity membership in voluntary regulation programs, also do not affect individual charitable giving.	United States	Cross-industry	Survey experiment of individual donors and charity participating in a voluntary regulatory program	Quantitative	"Will you trust me?: How individual American donors respond to informational signals regarding local and global humanitarian charities"	*Voluntas*
2017	Overall, results support the notion and anecdotal evidence that, absent effective enforcement mechanisms, trust can be exploited.	United States	Cross-industry	93,117 nonprofit-year observations, NCCS for 1986–2012	Quantitative	"Societal trust and the economic behavior of nonprofit organizations"	*Advances in Accounting*
2018	Stricter accountability and oversight through regulation do not lead to higher community benefits. Only closeness to beneficiaries leads to greater community benefits. State-level mechanisms help.	United States	Health	2009–2011 IRS data on community benefit	Quantitative	"State-level community benefit regulation and nonprofit hospitals' provision of community benefits"	*Journal of Health Politics Policy and Law*

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(Continued)

Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2018	Some core tax-exempt nonprofit activities, such as royalty payments from patents to faculty inventors in universities, may not pass the profit test and may thereby threaten tax-exempt status. Voluntary payments can provide a solution.	United States	Education	New Jersey tax case, Fields v. Trustees of Princeton University	Note	"A new model for oversight of commercial activities by nonprofits?"	*Fordham Law Review*
2018	In tax-exempt nonprofits, community benefits provided are higher than tax exemptions, yet only half of the tax-exempt nonprofits surveyed deliver incremental benefits. Most tax-exempt nonprofits deliver the same community benefits as for-profits.	United States	Health	2012 data from the IRS F990 from Centers for Medicare and Medicaid Services	Quantitative	"Comparing the value of nonprofit hospitals' tax exemption to their community benefits"	*Inquiry-The Journal of Health Care Organization Provision and Financing*
2018	Analysis of regulatory institutions and trust and confidence is needed to understand whether regulatory tools are actually effective	Cross-country	NA	Regulatory regimes in Japan, Australia, United Kingdom, China, United States, New Zealand, and Canada	Qualitative	"Charity registration and reporting: A cross-jurisdictional and theoretical analysis of regulatory impact"	*Public Management Review*
2018	The factors that predict complaints about charities are not necessarily good predictors of the need for regulatory action. Results support the move of charity regulators to a "risk-led" approach to regulation where a wide range of factors inform decisions about where limited resources should be focused in regulating the sector.	United Kingdom	Cross-industry	25,611 charities 2006–2014 in Scotland	Quantitative	"The determinants of charity misconduct"	*Nonprofit and Voluntary Sector Quarterly*

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Year	Research insights	Context	Industry	Data or unit of analysis	Type of study	Paper title	Journal
2018	While well-established tax-exempt nonprofits are more likely to survive fraud, age and asset accumulation do not make a difference. Survival stems from the evolution of organizational maturity, which allows the nonprofit to prevent or withstand fraud. Internal controls within tax-exempt nonprofits are notoriously weak compared to the controls within for-profits. Executive involvement in fraud is more likely in organizations that do not survive.	United States	Cross-industry	Data on 115 nonprofit organizations experiencing fraud, from LexisNexis All News Database	Quantitative	"Fraud survival in nonprofit organizations: Empirical evidence"	*Nonprofit Management & Leadership*
2018	Professionalization promotes self-regulation. Effect of standards is moderated, and coercive regulation has no effect.	Lebanon	Environmental protection	Survey of 153 environmental nonprofits.	Quantitative	"Relationships and resources: The isomorphism of nonprofit organizations' (nonprofit) self-regulation"	*Public Management Review*

Notes: NA, not applicable.

tax-exempt nonprofits in a U.S. context. We discuss three reasons for this in the main paper.

Data Analysis

In a final stage, we reviewed and synthesized the resulting 84 studies and litigation cases across nine disciplines covering a range of value-detracting activities. These included fraud, wrongdoing or misconduct, comparative performance, cost–benefit issues, information asymmetries, unfair competition, CEO incentives and overpayments, and operational inefficiencies in tax-exempted nonprofits. For each of the 84 papers in categories 1 and 2, we collectively summarized the findings and extracted and discussed key research insights, which were subsequently aggregated into conceptual categories. Using open coding and data aggregation, we developed an initial data structure (Figure A2), as a way of making sense of literature and evidence, from which we derived key insights. In a final stage, we categorized and sorted these insights into 12 categories of value detraction, which we then aggregated into three conditions explaining why value detraction might occur within this space (Tables A1–A5).