

The Economic Impact of Nonprofit Organizations in Tennessee

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Executive Summary

Approximately 40,000 nonprofit organizations are located in Tennessee. Together, these entities represent a considerable share of the state economy. In this report, we provide a landscape analysis of nonprofits in Tennessee as well as estimates of their impact on the economy in the form of income, jobs, and tax revenues generated both directly and indirectly.

Nonprofit organizations in Tennessee employ over 360,000 people, mostly in the areas of health (153,000), education (66,000), and social services (61,000). They are heavily concentrated in the state's largest population centers but are more evenly distributed across the state in per capita terms.

The vast majority of Tennessee's nonprofit organizations are very small by employment or revenue standards, and most activity occurs in a smaller group of very large organizations. Of the total revenue across all Tennessee nonprofits in 2024, slightly more than half was reported by the largest 25 organizations.

Our economic impact analysis is based on expenditures and employment data extracted from the IRS Form 990 tax returns combined with Regional Input-Output Multipliers (RIMS) from the Bureau of Economic Analysis (BEA). These multipliers are often used to estimate total economic impact from spending associated with a particular event or enterprise(s) such as the nonprofit sector. The total impact includes the initial spending and ripple effects from subsequent rounds of spending.

Specifically, we estimate how much income, how many jobs, and the amount of state and local tax revenues were generated by the nonprofit sector. Using 2024 dollars, we estimate that the state's nonprofit sector generated \$57.5 billion in income, 725,124 jobs, and \$2.8 billion in tax revenue for Tennessee on an annual basis. These estimates represent 11.9 percent of total 2024 personal income for the state, 21.5 percent of the state's 2024 nonfarm employment count, and 12.6 percent of total Tennessee tax collections for the 2024/25 fiscal year.

Section 1: The Nonprofit Landscape in Tennessee

Introduction

Nonprofit organizations are a foundational part of the U.S. economy and a significant source of employment, services, and local investment.¹ Nationally, there are approximately 1.9 million nonprofit institutions, including about 1.5 million in the 501(c)(3) tax-exempt category.² While many are small, the sector's overall footprint is large enough to impact labor markets and shape public services. Nonprofits contribute to Tennessee's economic and social infrastructure by employing workers, delivering essential services, and anchoring local institutions. Though sources vary, Tennessee nonprofits are generally estimated to number around 40,000.³

According to the Bureau of Labor Statistics (BLS), 501(c)(3) organizations provided 12.8 million jobs nationwide, or 9.9 percent of all U.S. private sector jobs in 2022.⁴ Considering that many large nonprofits (e.g., public universities) are not included in the private sector employment statistics, total employment for the nonprofit sector is even larger.

The nonprofit sector is diverse, spanning health systems, education providers, human services, faith-based organizations, environmental groups, and more. The diversity of nonprofits has led the National Taxonomy of Exempt Entities (NTEE) to categorize nonprofits into 26 major classifications (A–Z) within ten major groups (see Table 1).

Employment by Major Nonprofit Groups

Tennessee's nonprofit workforce is sizable, and its composition is heavily shaped by a few mission areas. Using the latest available IRS Form 990 employment data from 2020-2024, nonprofit employment is estimated at 361,188.⁵ Table 1 provides a breakdown of nonprofit employment by major sector. Health

¹ Though the term nonprofit implies that an operating surplus in an annual accounting period is not permitted, there is nothing prohibiting an annual surplus or profit. However, it is prohibited for nonprofits to pay out a surplus/profit to any individual or shareholder.

² Because 501(c)(3) organizations are the largest subset, they are often treated as synonymous with "nonprofits," but the tax-exempt ecosystem also includes more than two dozen types under Section 501(a). In this document, "nonprofit" will include all tax-exempt entities recognized by the IRS. Data or commentary specifically referencing 501(c)(3) entities and/or private foundations will be noted accordingly.

³ Business filings data from the Tennessee Secretary of State listed 47,347 domestic nonprofit corporations in Tennessee in the fourth quarter of 2025. Candid.org lists 39,299 nonprofits in Tennessee, ProPublica counts 41,953, and the 2024 IRS Exempt Organization Business Master File (EOBMF) lists 38,802.

⁴ <https://www.bls.gov/opub/mlr/2025/article/nonprofit-organizations-state-and-regional-employment-trends.htm>

⁵ For various reasons, some nonprofits do not file a tax return every year. Therefore, we analyzed tax returns for a 5-year period, from 2020 to 2024. To avoid double-counting we only included an organization's most recent tax return in the analysis. This could lead to a slight overcount if some nonprofits went out of business during our sample time period. However, a one-year snapshot would lead to an undercount if any nonprofits did not file a tax return in that single year.

and education dominate, accounting for roughly 60 percent of total nonprofit employment. Human services also represent a major employment base, while other categories such as the arts, environment, international affairs, and membership organizations are smaller in scale but often critical in localized contexts.

Table 1: Tennessee Employment Across Major Nonprofit Groups

Major Group	NTEE Classification(s)	TN Employment	% of Total TN Nonfarm Employment*
Health	E, F, G, & H	153,163	4.5%
Education	B	65,683	2.0%
Human Services	I, J, K, L, M, N, O, & P	60,673	1.8%
Arts, Culture & Humanities	A	7,377	0.2%
Public, Societal Benefit	R, S, T, U, V, & W	5,926	0.2%
Religion-Related	X	5,524	0.2%
Environment and Animals	C & D	5,304	0.2%
International, Foreign Affairs & National Security	Q	763	0.0%
Mutual & Membership Benefit	Y	116	0.0%
Unknown and Unclassified	Z	56,659	1.7%
TOTAL	-	361,188	10.7%

Sources: Author's calculations on nonprofit employment using IRS Form 990 tax records and NTEE classifications from the Exempt Organization Business Master File (EOBMF) for Tennessee.

*Total Tennessee nonfarm employment is measured as the annual average employment count in 2024.

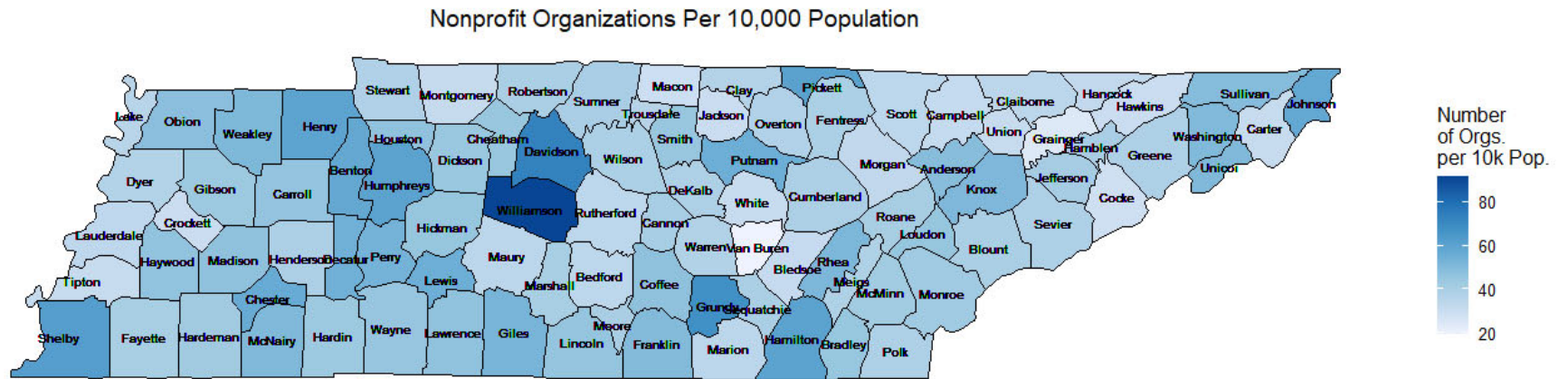
Geographic Distribution

If the smallest nonprofits (i.e. those filing minimal 990-N tax returns) are also counted, nonprofits operate in every Tennessee county, making the sector broadly embedded across the state's communities. In raw counts, nonprofit activity concentrates in the most populous counties. Shelby and Davidson Counties each contain more than 5,000 nonprofit organizations, far exceeding any other county in the state. Knox, Williamson, and Hamilton Counties follow, with more than 2,300 nonprofits each.

In contrast, nonprofit presence in rural Tennessee is much more limited. The 35 counties with the fewest nonprofits collectively account for fewer than 2,200 organizations, while the next-lowest group of 35 counties together includes fewer than 5,700 or roughly the same number as Shelby County alone. While most nonprofits are located in the state's larger counties, when adjusted for population, the density is more balanced (see Figure 1).

Across the state, there are 54 nonprofits per 10,000 residents, and county-level values range from 19 to 92. Notably, of the 14 counties above the state average, the majority are rural. Though Williamson and Davidson counties have the greatest density, Grundy, Pickett, and Humphreys counties are third, fifth, and sixth, respectively.

Figure 1: County Density for Tennessee Nonprofit Organizations



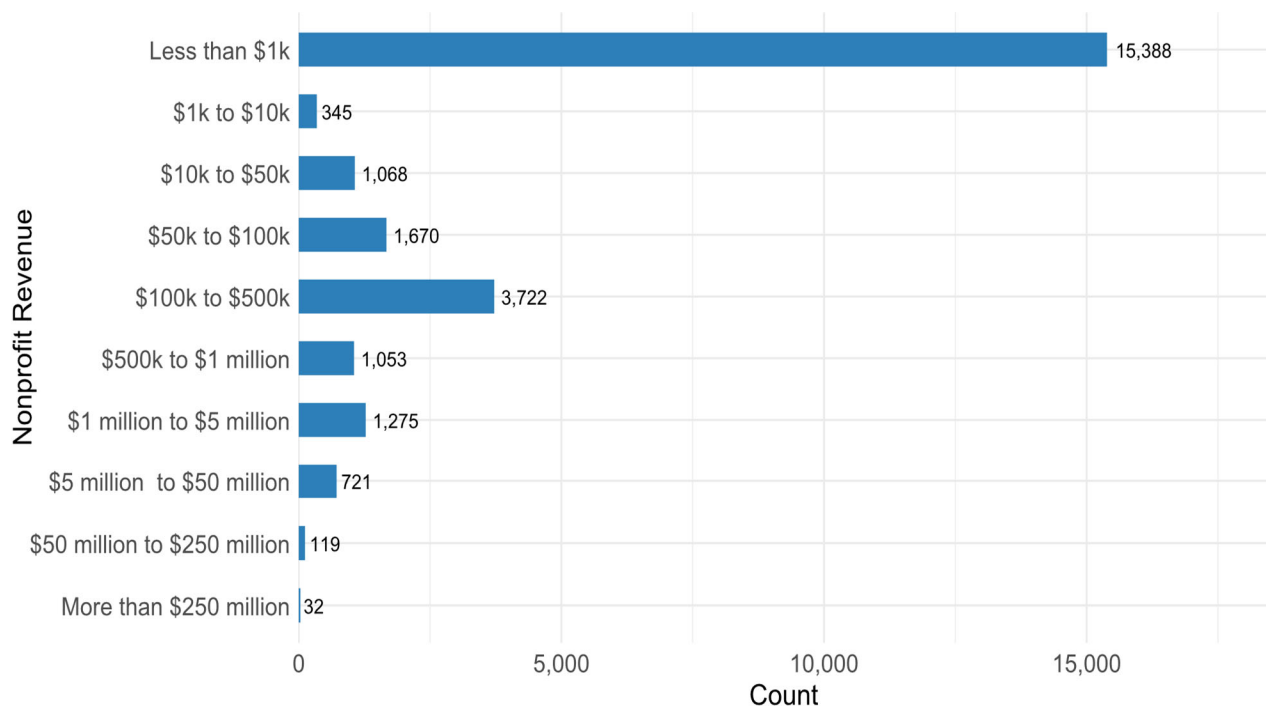
Source: Locations are determined by organizational addresses as listed on IRS electronic tax filings on Forms 990, 990-EZ, 990-PF, and 990-N. Note that the organizational address does not strictly define where a nonprofit's activity occurs. Population data from U.S. Census Bureau county population estimates (2024 vintage) - [CO-EST2024-POP-47 - Census.gov](#)

Nonprofit Revenue

Not only are the health and education groups the largest employers, but they are also well represented among the largest revenue producers. Among Tennessee’s 25 largest nonprofits by revenue, there are 17 healthcare organizations and 2 educational institutions. The total revenue estimate for all Tennessee nonprofits is \$60.3 billion in 2024 dollars, with \$30.9 billion (51 percent) coming from just 25 organizations.

Data from the IRS Exempt Organization Business Master File (EOBMF) show wide dispersion in revenue across nonprofits in Tennessee. Individual organization revenues range from negative values to nearly \$8 billion.⁶ Mean revenue is \$2.4 million, but this average is heavily influenced by the largest organizations (see Figure 2). The revenue distribution indicates a sector dominated by small organizations where 88% of Tennessee nonprofits report revenue under \$500,000.⁷ The smallest category (“Less than \$1k”) is especially large, reflecting a sizeable population of very small or minimally active entities.

Figure 2: Distribution of Revenues Among Tennessee Nonprofits



Source: IRS Exempt Organization Business Master File (EOBMF) with organizational revenues adjusted to 2024 dollars.

⁶ Exempt Organization Master Business File (EOBMF) for Tennessee; <https://www.irs.gov/charities-non-profits/exempt-organizations-business-master-file-extract-eo-bmf>, updated data posting date: 11/15/2025

⁷ This trend extends nationwide. The National Council of Nonprofits reports that most nonprofits are small, and 88 percent spend less than \$500,000 per year; [National Council of Nonprofits | Nonprofit Impact Matters](#)

Section 2: The Economic Impact of Nonprofits in Tennessee

Economic Benefits to Tennessee

This section examines the economic benefits generated by the state’s nonprofit sector to the Tennessee economy. The analysis is based on expenditures and employment data extracted from the IRS 990 tax returns. Specifically, we estimate how much income, how many jobs, and the amount of state and local tax revenues generated from the nonprofit sector. We analyzed tax returns for a 5-year period, from 2020 to 2024.⁸ To avoid double-counting we only included an organization’s most recent tax return in the analysis. All spending data are adjusted to 2024 dollars.

A summary of the key findings is reported in Table 2. We estimate that the nonprofit sector generated \$57.5 billion in income, 725,124 jobs, and \$2.8 billion in tax revenue for Tennessee. We provide additional details for each of these estimates in the sections that follow.

Table 2: Summary of Economic Benefits Associated with All Nonprofits in Tennessee

Income Generated	\$57,483,792,604
Tax Revenue Generated	\$2,786,411,085
Employment Generated	725,124

Income Effects

The state’s nonprofit sector generates economic benefits through a number of channels. First, nonprofit businesses inject income directly into the state through payment of employee salaries and benefits. Second, nonprofit businesses make numerous non-payroll related purchases, such as office equipment and computer software. Goods and services from vendors within the state generate additional jobs and income for the vendor owners and their respective employees. Finally, additional income is created through the multiplier effect, whereby money is spent and then re-spent in Tennessee, such that one dollar of spending can generate more than one dollar of economic activity.

⁸ Importantly, the analysis does not include any Tennessee nonprofits with annual gross receipts below \$50,000 in every year between 2020 and 2024. These nonprofits would have filed an IRS Form 990-N tax return, which does not contain enough financial information to be included in the analysis.

In total, all nonprofit businesses in Tennessee (as identified by the IRS Form 990 tax returns) spent \$46.3 billion on operational expenditures.⁹ Total payroll spending across all nonprofit businesses in Tennessee amounted to \$21.29 billion. Of this total, \$16.6 billion was from salaries and wages, accounting for compensation to employees as well as officers, board members, and directors. The remaining \$4.7 billion came in the form of employee benefits, such as health and dental insurance, as well as retirement/pension contributions. In addition, nonprofit businesses spent a significant amount of money on non-payroll-related items, such as office expenses, travel, and fundraising expenses, amounting to \$25.05 billion in 2024 dollars.

These operating expenses, along with the BEA RIMS multipliers are used to calculate the total economic benefits, including the associated multiplier effects, generated by all nonprofit businesses in Tennessee that filed a 990 form with the IRS. These estimates are reported in Table 3, and are broken down into three main categories:

The direct effect: income created directly from nonprofit spending.

The indirect effect: income created downstream due to inputs purchased from suppliers of nonprofits.

The induced effect: income created as households spend their earned incomes on various goods and services, thereby creating additional jobs and income for other Tennesseans.

In total, we estimate that the state’s nonprofit sector generated \$57.5 billion in income for Tennesseans in 2024 dollars. From which, \$21.3 billion was paid directly to workers in the nonprofit sector (direct effect), \$18.4 billion was generated through indirect effect, and \$17.8 billion in income was created through the induced effect.

Table 3: Summary of Income Effects by Source

Direct Effect	\$21,294,892,944
Indirect Effect	\$18,386,733,564
Induced Effect	\$17,802,166,096
Total Income Effect	\$57,483,792,604

Employment Effects

The nonprofit sector generates employment in Tennessee through the same channels as income. We estimate that a total of 725,124 full-time-equivalent jobs are created in Tennessee as a result of the

⁹ Importantly, this count does not include any Tennessee nonprofits with annual gross receipts below \$50,000. These nonprofits would have filed an IRS Form 990-N tax return, which does not contain enough financial information to be included in the analysis.

state’s nonprofit sector. Some of these jobs represent those working directly for a nonprofit business in Tennessee, while others are created as nonprofit workers spend their incomes, and nonprofit businesses make non-payroll related purchases in other industries throughout the state.

Table 4 reports the employment impacts associated with the nonprofit sector. As discussed earlier, the nonprofit sector employed 361,188 workers (direct effect). In addition, non-payroll related purchases generated an additional 148,956 jobs through the indirect effect, and additional household spending created 214,980 full-time equivalent jobs through the induced effect.

Table 4: Summary of Employment Effects by Source

Direct Effect	361,188
Indirect Effect	148,956
Induced Effect	214,980
Total Employment Effect	725,124

Tax Effects

Nonprofit businesses receive a number of tax exemptions in the state of Tennessee. Nonetheless, the operation of nonprofit businesses still provides a significant boost to tax revenues for state and local governments. The most noteworthy of these are sales tax revenues that are generated when employees spend a portion of their income on sales-taxable goods and services. In addition, a portion of the indirect income generated from the multiplier effect is spent on sales-taxable items. In total, we estimate that the state’s nonprofit sector generates \$1.6 billion in sales tax revenues for state and local governments each year.

We estimate an additional \$1.2 billion in other tax revenues from such sources as the hotel tax and gasoline tax. In total, economic activity derived from the nonprofit sector produces \$2.8 billion in state and local tax revenue each year. This amount is equivalent to 12.6 percent of total Tennessee tax collections for the 2024/25 fiscal year.

Table 5: Summary of Tax Benefits

Sales Tax Revenue	\$1,596,496,578
Other Tax Revenue	\$1,189,914,507
Total State & Local Tax Revenue Generated	\$2,786,411,085

Study Limitations

An analysis of state-wide nonprofit economic impact represents several challenges requiring simplifying assumptions. Among those challenges was identifying the footprint of economic impact that occurs solely within Tennessee borders. For example, a large health care facility might purchase supplies or use laboratory services from out-of-state vendors. In our investigation, we found no feasible way to separate this activity from the rest. Therefore, no allowances were made for this ‘leakage.’ To be sure, it is worth noting that Tennessee also benefits from the activities of out-of-state nonprofit organizations that operate in or near the state. We are unable to estimate the size of both outward and inward leakages but acknowledge the presence of both.

Another simplifying assumption involves the timing of IRS reporting by the nonprofit organizations. Since the IRS allows nonprofits to file returns based on either calendar year or fiscal year accounting, our calculations assume that all activity occurred in the calendar year corresponding to the year for which the return was filed. If economic activity for fiscal year filers is reasonably consistent in consecutive years, this approximation seems appropriate.

Finally, as noted previously, the nonprofit density calculations are based on the organizational addresses provided on the tax returns. These addresses may not accurately reflect the areas of service.

Conclusion

Nonprofit organizations make up a sizeable share of the Tennessee economy. The approximately 40,000 nonprofit organizations across the state contribute significantly in terms of income, jobs, and tax revenues, in addition to their immeasurable impacts on culture, social fabric, and quality of life that elude traditional economic impact analysis.

No nonprofit landscape analysis is complete without acknowledging the constraints nonprofits face as operating conditions change. A 2025 Tennessee Nonprofit Network (TNN) report based on a survey of 99 organizations highlights dependence on government grants.¹⁰ Using data from 2021, the report noted Tennessee 501(c)(3) nonprofits received \$3.8 billion in government grants and much of it went to Davidson, Shelby, and Knox counties. Without this revenue, more than two-thirds of the grant recipients

¹⁰ <https://tnnonprofits.org/navigating-uncertainty-a-report-on-the-state-of-tennessees-nonprofit-sector-in-a-rapidly-shifting-landscape/>

would have experienced a budget shortfall. With the grants, median operating surplus was 8.5 percent. If these government grants were excluded from revenue, a 17 percent median operating deficit would have resulted.

The report also noted that one in five organizations reported losing federal or state funding since January 2025. At the same time, nearly one-third reported decreases across foundation, corporate, and individual support, while roughly half reported an increased demand for services. These pressures may force tough decisions. Forty-two percent of respondents expect to reduce programs or services, 24 percent are considering layoffs, and about one in six reported considering cutting staff hours and/or wages. Yet even amid these constraints, the sector expressed hope for greater collective action and advocacy to stabilize grant funding and philanthropy to continue meeting Tennesseans' needs.