Unrelated Business Income of Nonprofit Organizations, 1996

by Margaret Riley

Taxable profits from "unrelated business" activities, reported for Tax Year 1996 by organizations that were otherwise exempt from Federal income taxation, rose 31 percent between 1995 and 1996 and totaled $1.2 billion. The total unrelated business income tax (UBIT) imposed on these profits was $372.3 million, a 35-percent increase over 1995. These increases followed even larger percentage increases from 1994 to 1995, resulting in an 82-percent increase in total taxable profits and a 94-percent increase in aggregate unrelated business income tax liability for the 2-year period from 1994 to 1996. Figure A presents information on these and other selected financial data items for Tax Years 1994, 1995, and 1996.

For 1996, an estimated 40,621 tax-exempt organizations filed an "unrelated business" income tax return (Form 990-T) [1]. After making adjustments to UBIT for other taxes and certain credits, the resulting total Federal income tax liability reported on Form 990-T was $372.6 million. In addition to the $372.3 million of UBIT, total income tax took into account $1.8 million of "proxy tax" on certain lobbying and political expenditures, $0.9 million of other taxes, and $2.4 million of applied tax credits [2]. (For more information on the proxy tax, see the section, "Proxy Tax on Lobbying and Political Expenditures," below.)

Figure A

Selected Financial Data from Exempt Organization Business Income Tax Returns, Tax Years 1994-1996

[Money amounts are in thousands of dollars]

Item	1994	1995	1996	Percentage increase 1995 to 1996	Percentage increase 1994 to 1996
	(1)	(2)	(3)	(4)	(5)
Number of returns, total	**35,657**	**36,394**	**40,621**	**11.6**	**13.9**
With net income (taxable profit)	18,588	18,157	19,511	7.5	5.0
Without net income (taxable profit)[1]	17,070	18,237	21,109	15.7	23.7
Gross unrelated business income	5,379,838	6,279,659	7,294,504	16.2	35.6
Total deductions	6,506,838	7,253,305	8,095,558	11.6	24.4
Net income (less deficit)	-1,127,001	-973,648	-801,054	17.7	28.9
Net income (taxable profit)	642,953	892,974	1,169,618	31.0	81.9
Deficit	1,769,954	1,866,621	1,970,672	5.6	11.3
Unrelated business income tax	191,492	276,562	372,298	34.6	94.4
Total income tax	195,191	277,481	372,603	34.3	90.9

[1]Includes returns with deficits and "breakeven" returns with equal amounts of gross unrelated business income and total deductions.

NOTE: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income, total deductions, net income (less deficit), unrelated business income tax, and total income tax.

Background

Nonprofit organizations that are granted Federal tax exemption based on their mission-related purposes are allowed, within certain limits, to generate income from unrelated business activities; however, the income from these activities is subject to taxation. In general, income produced from activities that are "regularly carried on" and "are not substantially related" to an organization's tax-exempt purpose is taxable. There are certain exclusions to this income taxation; some examples are engaging in business activities in which substantially all of the work is performed by volunteer labor; selling merchandise that the organization received as a gift or contribution; and operating certain games of chance, as specified in the Internal Revenue Code.

While specific taxpayer information reported on an exempt organization's Form 990 "information return" can be disclosed to the public, specific taxpayer information reported on its Form 990-T "tax return" cannot. Under disclosure rules governing the release of taxpayer information, only aggregate totals from Form 990-T can be presented in this article.

Income and Deductions

The $7.3 billion of gross unrelated business income (UBI) reported for 1996 represented a 16-percent increase over 1995. After organizations made deductions totaling $8.1 billion, the resulting overall net income (less deficit) was -$0.8 billion. Positive net income, or taxable profit, was reported on 48

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percent of the returns filed; deficits or zero taxable income (equal amounts of gross UBI and total deductions) were reported on the remainder. Of the returns with taxable profit, 65 percent were tax-exempt corporations, and 35 percent were tax-exempt trusts.

The three fastest growing components of aggregate gross UBI for 1996 were income (less loss) from partnerships (up 99 percent from 1995), investment income (less loss) of section 501(c)(7), (9), and (17) organizations (up 67 percent from 1995), and capital gain net income (up 67 percent from 1995). Even though these items experienced the largest percentage increases between 1995 and 1996, together, they accounted for only 20 percent of total gross UBI. Nearly half of all gross UBI was generated from gross profit (less loss) from sales and services, and another 15 percent was attributable to advertising income, but these two largest components, combined, rose a comparatively small 16 percent between the 2 years.

For 1995 and 1996, annual percentage increases were significantly higher for taxable income and unrelated business income tax liability than they were for total gross UBI and total deductions. The 14-percent increase in the number of organizations filing Forms 990-T from 1994 to 1996 may account for part of the dollar increases in the major financial data items reported. However, other factors also played a role, especially in the rapid growth of taxable income and UBIT. The following two sections attempt to answer questions about why unrelated business income tax liability rose rapidly during the 1994-96 period and which organizations accounted for the largest share of the tax.

Unrelated Business Income Tax Liability

Figure B underscores the differences in the amounts of UBIT reported by tax-exempt corporations and tax-exempt trusts between 1994 and 1996 [3]. The number of trusts and corporations reporting taxable profit increased at about the same rate from 1994 to 1996, 6 percent and 5 percent, respectively. During the same period, however, the aggregate UBIT liability of trusts rose 138 percent, compared to a 47-percent increase for corporations.

Virtually all of the trusts reporting gross UBIT liability for 1996 were Code section 401(a) pension funds, section 408(e) Individual Retirement Arrangements, and section 501(c)(9) employee benefit associations. About 80 percent of the corporate entities reporting UBIT liability were nonprofit charitable

Figure B

Tax-Exempt Corporations and Trusts with Positive Net Income (Taxable Profit), Tax Year 1996

[Money amounts are in millions of dollars]

Tax-Exempt Trusts		Tax-Exempt Corporations	
Number of returns:	6,879	Number of returns:	12,632
Increase, 1994-1996:	6%	Increase, 1994-1996:	5%
Unrelated business income tax liability:	$237.7	Unrelated business income tax liability:	$134.6
Increase, 1994-1996:	138%	Increase, 1994-1996:	47%

organizations tax-exempt under Code section 501(c)(3), business leagues, chambers of commerce, and real estate boards exempt under section 501(c)(6), and social and recreational clubs exempt under section 501(c)(7) [4]. (The various types of tax-exempt organizations are described, by Code section, in the Appendix to this article.)

The large increases in profits and unrelated business income tax liability for 1995 and 1996 can be explained by examining the relationship between each type of organization's main sources of income and stock market performance, and between tax rates and taxable income levels. One factor contributing to the differences in trust and corporate UBIT liability was the effect of favorable stock market conditions, which resulted in substantial increases in profits, especially for trusts, for Tax Years 1995 and 1996.

As shown in Figure C, trusts traditionally report three primary sources of income on Form 990-T: capital gain net income, partnership income, and other investment income, all of which are directly affected by the stock market. Corporate nonprofit entities, on the other hand, traditionally report gross profit from sales and services and advertising income as their primary income sources, neither of which is directly affected by stock market fluctuations.

It appears that the high investment returns associated with 1995 and 1996 had a greater impact on tax-exempt trusts, which relied heavily on passive investment activities to generate income. In contrast, corporate entities, on the whole, generated income from more active involvement in business enterprises. Another important factor is that trusts, by the nature of their operations, are more limited than most corporations in the types and amount of deductions they can claim to offset income. As a result, they report relatively higher amounts of taxable profit [5]. The average deduction reported by nonprofit trusts was about $60,000, compared to an average deduction of $248,000 for nonprofit corporations.

Figure C

Primary Sources of Unrelated Business Income (UBI) for Tax-Exempt Corporations and Trusts, Tax Year 1996

Tax-Exempt Trusts

- Capital gain net income
- Partnership income (less loss)
- Other investment income (less loss) (mainly reported by Code section 501(c)(9) voluntary employee beneficiary associations)

92% of Total Trust UBI

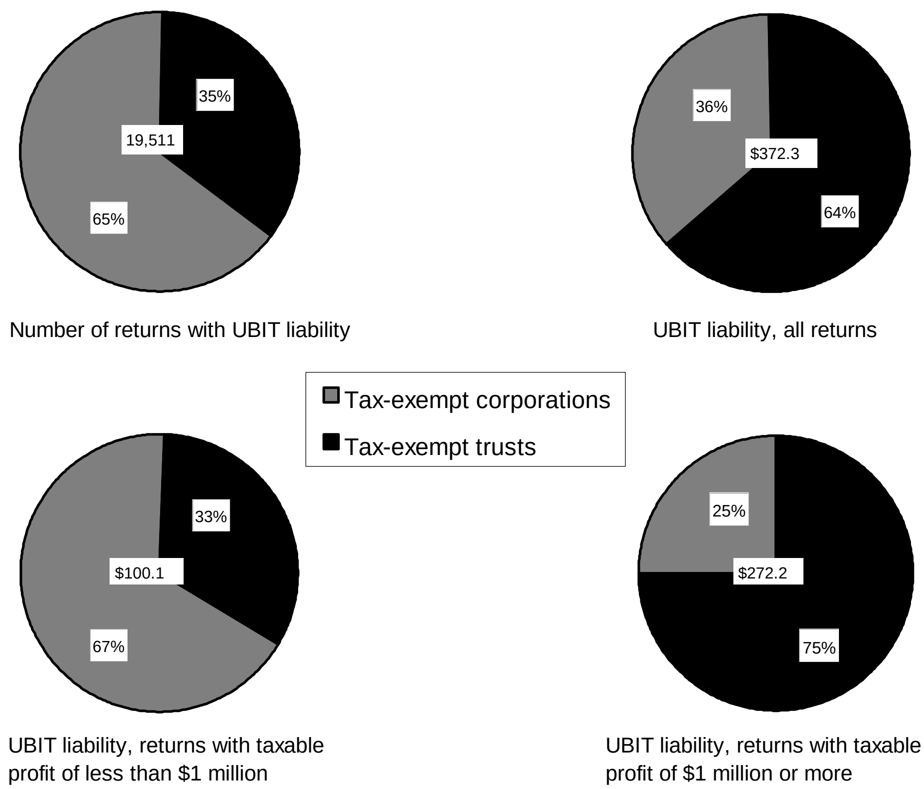
Tax-Exempt Corporations

- Gross profit (less loss) from sales and services
- Advertising income

76% of Total Corporate UBI

Figure D

Tax-Exempt Corporations and Trusts with Unrelated Business Income Tax (UBIT) Liability, by Size of Taxable Profit, Tax Year 1996
[Money amounts are in millions of dollars]



Corporate and Trust Unrelated Business Income Tax Shares

Figure D further compares trusts and corporations, in numbers of returns filed and the amounts of UBIT reported for Tax Year 1996. The first pie in this figure shows that about one-third of the returns with UBIT liability were filed by tax-exempt trusts, with the remaining two-thirds filed by tax-exempt corporations. The pie to its right shows almost the reverse when looking at the split of tax liability. Even though the trusts comprised only one-third of all filers with UBIT liability, they were responsible for nearly two-thirds of the total amount of UBIT reported.

The remaining two pies show that when taxes are distributed by size of taxable profit, distinctly different patterns result for trusts and corporations. In the group of organizations that had taxable profit of less than $1 million, two-thirds of total UBIT was reported by corporate entities. In contrast, in the group of organizations that had taxable profit of $1 million or more, three-quarters of total UBIT was attributable to tax-exempt trusts. In general, a comparison of statutory marginal rates of tax shows that trust income amounts above $1 million are taxed at higher rates than corporate income amounts above $1 million. (Corporation and trust income brackets and related tax rates for Tax Year 1996 are included in the definition of Unrelated Business Income Tax in the Explanation of Selected Terms section of this article.)

Within the group of tax-exempt organizations reporting taxable profits of $1 million or more for 1996, trusts outnumbered corporations by nearly two to one, and their average taxable profit was one-and-a-half times larger than the average taxable profit of corporate entities. Differences in sources of trust and corporate income and the effect of very favorable returns on investments, which largely benefited nonprofit trusts for 1995 and 1996, greatly account for this outcome. These differences, in combination with the higher tax rate generally applied to trusts in this taxable income group, explain why trusts were liable for a much larger share of the overall unrelated business income tax burden for both 1995 and 1996.

Proxy Tax on Lobbying and Political Expenditures

The proxy tax, which was effective beginning with Tax Year 1994, is imposed on certain nondeductible lobbying and political expenditures of nonprofit organizations. This tax is required to be reported on Form 990-T, even though there is no relationship between the proxy tax and the taxation of unrelated business activities. Specifically, nondeductible lobbying and political expenditures are taxed when they are financed with dues collected from organization members, and the organization either fails to notify the members of their shares of dues that were spent on lobbying and political activities, or the organization fails to state the full amount of allocable dues in the notification.

The amount of proxy tax reported on returns included in Statistics of Income (SOI) studies decreased by 59 percent between 1994 and 1996, and the number of filers reporting the proxy tax dropped by 40 percent during the same period. It is likely that organizations became more familiar with the new proxy tax legislation over time and, therefore, improved their compliance with the member notification requirement.

Organizations that had no unrelated business income (UBI), yet were required to file Form 990-T to report the proxy tax, were not included in the SOI study samples because they did not meet the $1,000 gross UBI filing threshold, which was a criterion for sample selection [6]. After taking into account the additional Forms 990-T filed solely to report the proxy tax, the total amount of proxy tax reported for 1996 was $10.8 million. (For a more detailed discussion, see the proxy tax definition in the Explanation of Selected Terms section of this article.)

Summary

Nonprofit organizations, normally exempt from Federal income taxation, reported $1.2 billion of taxable profits from "unrelated business" activities for Tax Year 1996, a 31-percent increase over 1995. The total unrelated business income tax (UBIT) liability of these organizations rose 35 percent between 1995 and 1996 and amounted to $372.3 million. After making adjustments to UBIT for other taxes and certain credits, the amount of total income tax liability for 1996 was $372.6 million.

An estimated 40,621 organizations reported $7.3 billion of aggregate gross unrelated business income for 1996. After taking deductions totaling $8.1 billion, the resulting overall loss was $0.8 billion. Forty-eight percent of the organizations reported taxable profit; the remainder reported zero taxable income or a deficit. Sixty-five percent of the organizations filing returns with taxable profit were tax-exempt corporations, and 35 percent were tax-exempt trusts.

The large increase in total UBIT liability between 1995 and 1996 was principally due to the effect of favorable stock market conditions during that period, which resulted in substantial increases in profits, especially for tax-exempt trusts. The high investment returns associated with these 2 years appear to have had a greater impact on the profits of exempt trusts, compared to the profits of exempt corporations, because the trusts traditionally rely heavily on income from passive investment activities. In contrast, most exempt corporations generate unrelated business income from more active involvement in business enterprises. While the number of trust and corporate tax-exempt entities grew at about the same rate between 1994 and 1996, between 5 and 6 percent, the total UBIT liability of trusts rose 138 percent during that time, compared to a 47-percent increase for corporations.

Data Sources and Limitations

The statistics in this article are based on a sample of Tax Year 1996 Forms 990-T, *Exempt Organization Business Income Tax Return*. The Internal Revenue Service required organizations having accounting periods beginning in 1996 (and, therefore, ending between December 1996 and November 1997) to file a 1996 Form 990-T. The associated required filing period for Tax Year 1996 Forms 990-T was generally May 1997 to April 1998 (April 1997 to March 1998 for Internal Revenue Code section 401(a) and 408(e) trusts), but extensions of time to file beyond this period were granted to many organizations. Because the accounting periods of the organizations filing a 1996 return vary, the financial activities covered in this article span the period January 1996 through November 1997 (although the majority of activities occurred during Calendar Year 1996).

The population from which the 1996 Form 990-T sample was drawn consisted of Form 990-T records posted to the IRS Business Master File system during 1997 and 1998. The returns in the sample were stratified based on the size of gross unrelated business income (UBI). A sample of 6,760 returns was selected from a population of 40,793. After excluding returns that were selected for the sample but later rejected, the sample size was 6,721, and the estimated population size was 40,621. Rejected returns included those which had gross UBI below the $1,000 filing threshold, were filed only to claim a refund, or were filed for a part-year accounting period that began in a year other than 1996. (For example, a final return filed for the short period of January 1997-June 1997 may have been computer-selected for the 1996 sample based on the criterion of having an ending accounting period that fit into the December 1996 to November 1997 range for a Tax Year 1996 return, but it would be rejected because, in actuality, it was a Tax Year 1997 return.)

The 1996 Form 990-T study design incorporated a special "integrated" sample to gather information on "related" (tax-exempt) and "unrelated" (taxable) income and expenses for organizations that filed both Form 990 (*Return of Organization Exempt From Income Tax*) and Form 990-T. Under this program, the Form 990-T sample included unrelated business income tax returns filed by any organizations whose Form 990 information returns were selected for the Statistics of Income sample of nonprofit charitable organizations tax-exempt under section 501(c)(3).

Returns selected for the Form 990 sample were a determining factor in the selection of returns that were included in the integrated portion of the Form 990-T sample. The Form 990-T sample was designed so that if a return was not initially selected, based on independent Form 990-T sampling criteria, it was subjected to further sampling based on a Forms 990/990-T matching process. Under this process, the Employer Identification Numbers (EIN's) of Form 990-T returns that were not initially selected for the Form 990-T sample were compared to the EIN's of returns selected for the Form 990 SOI sample. When a match occurred, the Form 990-T was added to the independently selected Form 990-T sample. These specially matched returns, along with the independently selected Forms 990-T that also had counterparts in the Form 990 sample, formed the "integrated" portion of the Form 990-T sample [7].

Sampling rates ranged from a minimum of 2.6 percent (Form 990-T gross UBI was less than $20,000, with either no Form 990 match or a Form 990 match to a section code 501(c)(3) return with assets under $2,500,000) to a maximum of 100 percent (either Form 990-T gross UBI was $300,000 or more, or Form 990-T had any amount of gross UBI and matched to a section 501(c)(3) Form 990 with assets of $10,000,000 or more). Other Forms 990/990-T matches within various ranges of gross UBI, assets, and Internal Revenue Code sections were selected at rates ranging from 5 percent to 25 percent.

The information presented in this article was obtained from returns as originally filed with the IRS. The data were subjected to comprehensive testing and correction procedures in order to improve statistical reliability and validity. In most cases, changes made to the original return as a result of administrative processing, audit procedures, or a taxpayer amendment were not incorporated into the data base.

Because the data are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account. Figure E shows CV's for selected financial data. CV's are not shown for returns with gross UBI of $500,000 or more because they were sampled at a 100-percent rate and, therefore, are not subject to sampling variability. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and nonsampling error and the precision of sample estimates can be found in the general Appendix, located near the back of this issue of the *SOI Bulletin*.

Figure E

Coefficients of Variation for Selected Items, Tax Year 1996

Size of gross unrelated business income	Gross unrelated business income	Total deductions	Net income (taxable profit)	Total income tax
	Coefficient of variation (percentages)			
	(1)	(2)	(3)	(4)
Total	1.36	1.34	1.22	1.24
$1,000 under $10,001 [1]	3.47	9.36	7.53	8.53
$10,001 under $100,000 [1]	1.67	3.92	5.76	6.98
$100,000 under $500,000	1.41	2.88	3.73	4.64
$500,000 or more	N/A	N/A	N/A	N/A

[1] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (only a "partial" return was required) and all other Form 990-T filers (a more detailed "complete" return was required). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

N/A - Not applicable.

Explanation of Selected Terms

Advertising Income.—Gross income realized by an exempt organization from the sale of advertising in a periodical was gross income from an unrelated trade or business activity involving the "exploitation of an exempt activity," namely, the circulation and readership of the periodical developed by producing and distributing the readership content of that periodical. Advertising income was reported separately from other types of "exploited exempt activity income." (See the explanation of Exploited Exempt Activity Income.) Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported gross advertising income, as well as other types of "exploited exempt activity income," as gross receipts from sales and services. All other organizations reported this income separately.

Capital Gain Net Income.—Generally, organizations required to file Form 990-T (except organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17)) were not taxed on the net gains from the sale, exchange, or other disposition of property. However, net capital gains on sales of debt-financed property, certain gains on the cutting of timber (section 1231), and gains on sales of certain depreciable property (described in sections 1245, 1250, 1252, 1254, and 1255) were taken into account in computing capital gain net income. (See the explanation of Investment Income (Less Loss) for information regarding investment income of section 501(c)(7), (9), and (17) organizations.)

Contributions.—To the extent permissible under the Internal Revenue Code, a deduction was allowed for contributions or gifts actually paid within the tax year to, or for the use of, another entity that was a charitable or governmental organization described in Code section 170(c). Any unused contributions carried over from earlier years were also allowed. The contributions deduction was allowed whether or not directly connected with the carrying on of a trade or business.

Deductions Directly Connected With Unrelated Business Income.—These were deductions allowed in computing net income, if they otherwise qualified as income tax deductions under the Internal Revenue Code and if they had a "proximate and primary" relationship to carrying on an unrelated trade or business. Allowable deductions included those directly connected with rental of personal property; those allocable to unrelated debt-financed income; those directly connected with investment income of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; those allocable to interest, annuities, royalties, and rents received from controlled organizations; those allocable to "exploited exempt activity income" other than advertising; direct advertising costs; compensation of officers, directors, and trustees; salaries and wages; repairs; bad debts; interest; taxes; depreciation (unless deducted elsewhere); depletion; contributions to deferred compensation plans; contributions to employee benefit plans; the "net operating loss carryover"; and "other deductions." Exempt organizations with gross unrelated business income (UBI) above $10,000 were required to report each deduction component separately. Organizations with gross UBI between $1,000 (the filing threshold) and $10,000 reported a single total of the first five types of directly-connected expenses listed above (those described as "allocable to") and a single total for all other types of deductions (both deductions directly connected with UBI and those not directly connected, each defined below), except for two items that were required to be reported separately: the "net operating loss carryover" and the "specific deduction," also defined below.

Deductions Not Directly Connected With Unrelated Business Income.—The component deductions were "set-asides," "excess exempt expenses," charitable contributions, and the "specific deduction." The specific deduction was reported, when applicable, by all organizations with positive taxable income; the other types of deductions not directly connected with UBI were reported separately, when applicable, only by exempt organizations with gross UBI above $10,000. (See, also, the explanations of Set-asides, Excess Exempt Expenses, and the Specific Deduction.)

Excess Exempt Expenses.—The two types of "excess" expenses allowed as deductions from unrelated business income were (1) excess exempt expenses attributable to commercial exploitation of exempt activities, and (2) excess exempt expenses attributable to advertising income. In the case of "exploited" exempt activity income (see the explanation of Exploited Exempt Activity Income, Except Advertising, below), if the expenses of the organization's exempt activity exceeded the income from the exempt activity, then the excess of exempt expenses over exempt income could be used to offset any positive net unrelated business income produced from exploiting the exempt activity, to the extent that it did not result in a loss. Excess expenses of a commercially exploited exempt activity could not be used to offset income from another type of unrelated business activity if the unrelated activity did not exploit that particular exempt activity. In the case of excess exempt expenses attributable to advertising income, if the expenses attributable to producing and distributing the readership content of a periodical exceeded the circulation income, then the excess of readership costs over circulation income could be used to offset any net gain from advertising (gross advertising income less direct advertising costs), to the extent that it did not result in a loss.

Exploited Exempt Activity Income, Except Advertising.—In some cases, exempt activities create goodwill or other intangibles that are capable of being exploited in a commercial manner. When an organization exploited such an intangible in commercial activities that did not contribute importantly to the accomplishment of an exempt purpose, the income it produced was gross income from an unrelated trade or business. An example of this type of activity would be an exempt scientific organization with an excellent reputation in the field of biological research that exploits its reputation regularly by selling endorsements of laboratory equipment to manufacturers. Endorsing laboratory equipment would not have contributed importantly to the accomplishment of any purpose for which tax exemption was granted to the organization. Accordingly, the income from selling such endorsements is gross unrelated business income. Exploited exempt activity income from advertising was reported separately from other types of exploited exempt activity income (see the explanation of Advertising Income). Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported income from exploited exempt activities as gross receipts from sales and services. All other organizations reported this income separately.

Gross Profit (Less Loss) from Sales and Services.—This was the gross profit (less loss) from any unrelated trade or business regularly carried on that involved the sale of goods or performance of services. It did not include income from unrelated business activities that were required to be reported separately on any of the tax return schedules. For example, an Internal Revenue Code section 501(c)(7) social club would include gross restaurant and bar receipts from nonmembers in the calculation of gross profit (less loss) from sales and services, but would report its investment income from sales of securities on the required return schedule. Gross profit (less loss) from sales and services is computed as gross receipts from sales or services, less returns and allowances, minus cost of sales and services.

Gross Unrelated Business Income (UBI).—This was the total gross unrelated business income (see the explanation of Unrelated Business Income), prior to reduction by allowable deductions used in computing unrelated business taxable income. All organizations were required to report detailed sources of gross UBI. The components of gross UBI, as shown on the tax return, were gross profit (less loss) from sales and services; capital gain net income; net gain (less loss), sales of noncapital assets; net capital loss deduction (trusts only); income (less loss) from partnerships; rental income; unrelated debt-financed income; investment income (less loss) of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; annuities, interest, rents, and royalties from controlled organizations; "exploited exempt activity" income; advertising income; and "other income" (less loss). (For an explanation of how income is allocated to the components of gross UBI, see the separate listings for each component.)

Income from Controlled Organizations.—When an exempt organization controls another organization (as described below), the gross annuities, interest, rents, and royalties from the controlled organization are included in the gross UBI of the controlling organization at a specified ratio, depending on whether the controlled organization is tax-exempt or not. For Tax Year 1995 "control" meant: (a) for a stock corporation, the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote, and ownership of at least 80 percent of the total number of shares of all other classes of stock of the corporation; or (b) for a nonstock organization, at least 80 percent of the directors or trustees of the organization were either representatives of, or directly or indirectly controlled by, a tax-exempt organization. The rules for debt-financed property did not apply to passive income from controlled organizations. (See the explanation of Unrelated Debt-financed Income.)

Income (Less Loss) from Partnerships.—If an organization was a partner in any partnership that carried on an unrelated trade or business, this was the organization's share of partnership gross unrelated business income less its share of partnership deductions that were directly connected with the unrelated income.

Investment Income (Less Loss).— This item was reported only by organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) and included such income as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-asides.) All gross rents (except those that were exempt-function income) of section 501(c)(7), (9), and (17) organizations were treated as unrelated business income and were reported as "rental income." Organizations exempt under sections other than 501(c)(7), (9), and (17) did not report "investment income (less loss)." Generally, these organizations' investment income (dividends, interest, rents, and annuities) and royalty income were not taxed as unrelated business income, unless it was income from a controlled organization (excluding dividends) or debt-financed income, or the rents were of the type described in the explanation of rental income. (See explanations of Income from Controlled Organizations, Rental Income, and Unrelated Debt-financed Income.)

Net Capital Loss (Trusts Only).—If a trust had a net loss from sales or exchanges of capital assets, it was allowed a deduction for the amount of the net loss or $3,000, whichever was lower. (Corporations were not allowed to deduct any excesses of capital losses over capital gains.) Trusts reported the net capital loss deduction on Form 990-T as a negative component of gross unrelated business income. Most of the trusts filing Form 990-T were Individual Retirement Arrangements (IRA's); employee pension, profit-sharing, or stock bonus plans; and employees' beneficiary associations providing for payment of life, sickness, health, or other benefits to members.

Net Gain (Less Loss), Sales of Noncapital Assets.—This was the gain or loss from the sale or exchange of business property, as reported on Form 4797, *Sales of Business Property*. Property other than capital assets generally included property of a business nature, in contrast to personal and investment properties, which were capital assets.

Net Income (Less Deficit).—This was gross income derived from any unrelated trade or business regularly carried on by an exempt organization, less deductions directly connected with carrying on the trade or business and less other allowable deductions not directly connected. On a return-by-return basis, the result of this computation was either positive (net income), negative (deficit), or zero. Net income represented taxable profit, which was subject to the unrelated business income tax. (See, also, explanations of Deductions Directly Connected With Unrelated Business Income and Deductions Not Directly Connected With Unrelated Business Income.)

Net Operating Loss Carryover.—The net operating loss carryover (as described in Code section 172) was allowed as a deduction in computing unrelated business taxable income. However, the net operating loss carryback or carryover (allowed only to or from a tax year for which the organization was subject to tax on unrelated business income) was determined without taking into account any amount of exempt-function income or deductions that had been excluded from the computation of unrelated business taxable income. A "net operating loss" represented the excess of deductions over receipts for specified prior or future years for which an organization reported an overall deficit from its unrelated trade or business activities. The statistics in this article represent only the net operating loss carryover because carrybacks from future years would be reported on an amended return, not on the return as initially filed, which served as the basis for the statistics.

Other Deductions.—This included all types of unrelated business deductions that were not specifically required to be reported elsewhere on the tax return. Examples are fees for accounting, legal, consulting, or financial management services; insurance costs (if not for employee-related benefits); equipment costs; mailing costs; office expenses, such as janitorial services, supplies, or security services; rent; travel expenses; educational expenses; and utilities.

Other Income (Less Loss).—This included all types of unrelated business income that were not specifically required to be reported elsewhere on the tax return. Examples are insurance benefits fees; member support fees; commissions; returned contributions that were deducted in prior years; income from insurance activities that was not properly set aside in prior years; recoveries of bad debts; and refunds of State or local tax payments, if the payments were previously reported as a deduction.

Proxy Tax.—This was a tax on certain nondeductible lobbying and political expenditures paid or incurred after December 31, 1993, by organizations that were tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), and 501(c)(6). If the organization failed to notify its members regarding their shares of dues to which nondeductible lobbying and political expenditures were allocable, or if the notice did not include the entire amount of dues that were allocable, then the proxy tax was imposed on the organization. It was computed as the aggregate amount of nondeductible lobbying expenditures that was not included in the notices sent to the organization's members, multiplied by 35 percent. The proxy tax was required to be reported on Form 990-T and was included in total income tax; however, there was no connection between the proxy tax and the taxation of income from an organization's unrelated business activities. For this reason, and because the SOI sample did not include returns with gross unrelated business income (UBI) below the $1,000 filing threshold, Forms 990-T filed solely to report the proxy tax (no UBI reported) were excluded from the SOI sample. Organizations whose returns were included in the SOI sample reported an aggregate $1.8 million of proxy tax. Based on an unpublished tabulation of data from the IRS Business Returns Transaction File, a total of $10.8 million of proxy tax was reported on 612 Forms 990-T for Tax Year 1996. It is estimated that about 65 percent of these 612 returns were filed solely to report the proxy tax and, thus, were excluded from the SOI sample.

Rental Income.—For organizations tax exempt under Internal Revenue Code sections other than 501(c)(7), (9), and (17), this was the amount of (1) gross rents from personal property (e.g., computer equipment or furniture) leased with real property, if the rental income from the personal property was more than 10 percent, but not more than 50 percent, of the total rents from all leased property; or (2) gross rents from both real property and personal property leased with real property if the personal property was more than 50 percent of the total rents from all leased property. Except for the second situation covered above, gross rents from real property were generally excluded in computing unrelated business taxable income. In addition, gross rents from personal property that did not exceed 10 percent of the total rents from all leased property were excluded. Any rents excluded from the explanation of "rental income" had to be considered in terms of their taxability as unrelated business income from controlled organizations or unrelated debt-financed income, in that order. For organizations tax-exempt under sections 501(c)(7), (9), and (17), rental income included all gross rents (except those that were exempt-function income), with no exclusions. (See explanations of Income from Controlled Organizations and Unrelated Debt-financed Income.)

Set-asides.—These amounts were allowed to social clubs (Internal Revenue Code section 501(c)(7)), voluntary employees' beneficiary associations (section 501(c)(9)), and supplemental unemployment benefit trusts (section 501(c)(17)) as a deduction from investment income. The deduction was equal to the amount of passive income (generally, investment income) that these organizations set aside (1) to be used for charitable purposes or (2) to provide payment of life, health, accident, or other insurance benefits (section 501(c)(9) and (17) organizations only) . However, any amounts set aside that exceeded the "qualified asset account" limit, as figured under section 419A, were not allowed as a deduction from unrelated business investment income; they were treated as taxable investment income. A section 419A qualified asset account is any account consisting of assets set aside to provide for the payment of disability benefits, medical benefits, severance pay benefits, or life insurance benefits.

Specific Deduction.—The specific deduction was generally a $1,000 deduction, considered "not directly connected" with gross unrelated business income, allowed to all organizations that had positive taxable income after all other types of deductions were taken. The specific deduction was $1,000 or the amount of positive taxable income, whichever was less. This deduction was allowed to all tax return filers to provide the equivalent benefit of the $1,000 gross unrelated business income filing threshold under which some organizations were exempted from filing a return and paying the unrelated business income tax.

Total Deductions.—Total Deductions included both deductions reported on the main part of Form 990-T and expense items reported on attached schedules. It excluded cost of sales and services ($1.9 billion for 1996), which was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services. Gross profit (less loss) from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services was reported on Form 990-T as a lump-sum total, but may have included amounts attributable to depreciation, salaries and wages, and certain other types of deductible items. For this reason, the total amount shown for some of the separately reported components of total deductions, such as "salaries and wages," may be understated.

Total Income Tax.—Total income tax was unrelated business income tax less the foreign tax credit, general business credit, credit for prior-year minimum tax, and other allowable credits, plus the "proxy tax" on certain lobbying expenditures, the tax from recomputing certain prior-year credits ("recapture taxes"), and the "alternative minimum tax." Prior to Tax Year 1996, some nonprofit organizations were liable for the "environmental tax," an excise tax levied on certain corporations, computed based on their "modified alternative minimum tax." The environmental tax expired on December 31, 1995.

Unrelated Business Income.—This was income of a tax-exempt organization that was from a trade or business which was regularly carried on by the organization and which was not substantially related to the performance of the organization's exempt purpose or function (other than that the organization needed the profits derived from the unrelated activity). The term "trade or business" generally comprised any activity carried on for the production of income from selling goods or performing services. Activities of producing or distributing goods or performing services from which gross income was derived did not lose their identity as trades or businesses merely because they were carried on within a larger aggregate of similar activities or within a larger complex of other endeavors that may, or may not, have been related to the exempt purposes of the organization.

Unrelated Business Income Tax.—This was the tax imposed on unrelated business net income (taxable profit). It was determined based on the regular corporate or trust income tax rates that were in effect for the 1996 Tax Year, as shown in the following schedules.

Tax Rates for Corporations

(Section 11 of the Internal Revenue Code)

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$50,000	15%	$0
50,000	75,000	$7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	--	35%	0

Tax Rates for Trusts
(Section 1(e) of the Internal Revenue Code)

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$1,600	15%	$0
1,600	3,800	$232.50 + 28%	1,600
3,800	5,800	834.50 + 31%	3,800
5,800	7,900	1,423.50 + 36%	5,800
7,900	--	2,161.50 + 39.6%	7,900

Unrelated Debt-financed Income.—Gross income from investment property for which there was acquisition indebtedness outstanding at any time during the tax year was subject to the unrelated business income (UBI) tax. The percentage of investment income to be included as gross UBI was proportional to the ratio of average acquisition indebtedness to the average adjusted basis of the property. Various types of passive income (generally, investment income) were considered to be unrelated debt-financed income, but only if the income arose from property acquired or improved with borrowed funds and if the production of income was unrelated to the organization's tax-exempt purpose. When any property held for the production of income by an organization was disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding at any time during the 12-month period prior to the date of disposition, the property was considered debt-financed property, and the gain was treated as unrelated debt-financed income. Income from debt-financed property did not include rents from personal property (e.g., computers or furniture) leased with real property, certain passive income from controlled organizations, and other amounts that were otherwise included in computing unrelated business taxable income. Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported all debt-financed income as "Investment Income (Less Loss)." All other organizations reported debt-financed income separately.

Notes and References

[1] Organizations that are recognized as tax exempt under section 501(a) of the Internal Revenue Code, and described in Code sections 401(a), 408(e), and 501(c), must file a Federal income tax return (Form 990-T, *Exempt Organization Business Income Tax Return*) if they received $1,000 or more of gross income from business activities that were considered unrelated to the purposes for which they received tax-exempt status. Code section 501(d) religious and apostolic organizations, farmers' cooperatives, and nonexempt charitable trusts treated as exempt organizations file tax forms other than Form 990-T. Returns filed by organizations with gross unrelated business income (UBI) below the $1,000 filing requirement threshold were excluded from the statistics presented in this article. Some of these returns were filed inadvertently; others were filed for a specific reason, such as to claim a refund of Form 1099 backup withholding that was withheld erroneously on interest or dividend payments because the payer did not realize that the payee was a tax-exempt organization.

Most organizations that file Form 990-T to report taxes must also file information returns on Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*. For the most recent Form 990 annual data on organizations tax-exempt under Internal Revenue Code sections 501(c)(3) (excluding private foundations and most religious organizations), see Arnsberger, Paul, "Nonprofit Charitable Organizations, 1996," *Statistics of Income Bulletin*, Winter 1999-2000, Volume 19, Number 3, pp. 107-113. For the most recent annual data on private foundations, see Whitten, Melissa, "Private Foundations and Charitable Trusts, 1996," *Statistics of Income Bulletin*, Fall 1999, Volume 19, Number 2, pp. 103-142.

[2] In addition to the proxy tax, taxes other than UBIT included "recapture taxes" (such as from recomputation of prior-year investment or low-income housing credits) and the "alternative minimum tax" (AMT). Credits included the foreign tax credit, general business credit, prior-year minimum tax credit, and other credits (such as the U.S. possessions tax credit, nonconven-

tional source fuel credit, and qualified electric vehicle credit).

[3] The unrelated business income tax (UBIT) for nonprofit corporations was determined based on the regular corporate income tax rates in effect for Tax Year 1996. Nonprofit trusts were generally taxed at the regular individual income tax rates established for estates and trusts for Tax Year 1996. Trusts that were eligible for the maximum 28-percent tax rate on capital gain net income figured their tax based on Schedule D of Form 1041, *U.S. Income Tax Return for Estates and Trusts*. The corporate and trust tax-rate schedules are included in the definition of Unrelated Business Income Tax, found in the Explanation of Selected Terms section of this article.

[4] The term "charitable" refers to tax-exempt organizations with purposes that are charitable, educational, scientific, literary, or religious in nature, and also those organizations engaged in activities which foster national or international amateur sports competition, prevent cruelty to children or animals, or test for public safety.

[5] For example, the investment portfolios of nonprofit trusts are usually overseen by only one or two trust managers, so deductions for salaries and wages, a significant deduction item for many corporate nonprofit entities, are relatively small, resulting in higher taxable income.

[6] The $1,000 gross UBI filing threshold is discussed in footnote 1.

[7] For additional information on the Form 990 and Form 990-T integrated sample design, see Harte, James M. and Hilgert, Cecelia H., "Enriching One Sample While Improving Another: Linking Differently Stratified Samples of Documents Filed by Exempt Organizations," *Statistics of Income: Turning Administrative Systems Into Information Systems*, 1993.

SOURCE: IRS, Statistics of Income Bulletin, Publication 1136, Spring 2000.

Appendix

Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section

Code section	Description of organization	General nature of activities
401(a)	Qualified pension, profit-sharing, or stock bonus plans	Fiduciary agent for pension, profit-sharing, or stock bonus plans
408(e)	Individual Retirement Arrangements	Fiduciary agent for retirement funds
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
(3)	Religious, educational, charitable, scientific, or literary organizations; testing for public safety organizations. Also, organizations preventing cruelty to children or animals, or fostering national or international amateur sports competition	Activities of a nature implied by the description of the class of organization
(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes
(5)	Labor, agricultural, and horticultural organizations	Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency
(6)	Business leagues, chambers of commerce, real estate boards, and like organizations	Improving conditions in one or more lines of business
(7)	Social and recreational clubs	Pleasure, recreation, and social activities
(8)	Fraternal beneficiary societies and associations	Lodge providing for payment of life, health, accident, or other benefits to members
(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, health, accident, or other benefits to members
(10)	Domestic fraternal societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident benefits to members
(11)	Teachers' retirement fund associations	Fiduciary association providing for payment of retirement benefits
(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations	Activities of a mutually beneficial nature implied by the description of the class of organization
(13)	Cemetery companies	Arranging for burials and incidental related activities
(14)	State-chartered credit unions and mutual reserve funds	Providing loans to members

Appendix
Types of Tax-Exempt Organizations Subject to the Unrelated Business Income Tax Provisions, by Internal Revenue Code Section--Continued

Code section	Description of organization	General nature of activities
501(c)(15)	Mutual insurance companies or associations other than life, if written premiums for the year do not exceed $350,000	Providing insurance to members, substantially at cost
(16)	Corporations organized to finance crop operations	Financing crop operations in conjunction with activities of a marketing or purchasing association
(17)	Supplemental unemployment benefit trusts	Fiduciary agent for payment of supplemental unemployment compensation benefits
(18)	Employee-funded pension trusts (created before June 25, 1959)	Providing for payments of benefits under a pension plan funded by employees
(19)	Posts or organizations of past or present members of the armed forces	Activities implied by the nature of the organization
(21)	Black lung benefit trusts	Created by coal mine operators to satisfy their liability for disability or death due to black lung disease
(22)	Withdrawal liability payment funds	Providing funds to meet the liability of employers withdrawing from a multi-employer pension fund
(23)	Associations of past and present members of the armed forces founded before 1880	Providing insurance and other benefits to veterans or their dependents
(24)	Trusts described in section 4049 of the Employee Retirement Income Security Act of 1974	Providing funds for employee retirement income
(25)	Title-holding corporations or trusts with no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest	Acquiring real property and remitting all income earned from such property to one or more exempt organizations; pension, profit-sharing, or stock bonus plans; or governmental units

NOTE: Prepaid legal service funds, described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt effective with tax years beginning after June 30, 1992.

Table 1.--Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Net Income (Less Deficit), Deficit, and Total Income Tax, by Internal Revenue Code Section Describing Type of Tax-Exempt Organization, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Net income (less deficit)		Deficit	Total income tax [4]	
			Number of returns	Amount	Number of returns [3]	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All sections	**40,621**	**7,294,504**	**40,353**	**8,095,558**	**35,059**	**-801,054**	**1,970,672**	**19,365**	**372,603**
401(a)	935	231,858	896	61,168	824	170,689	28,118	750	69,328
408(e)	8,466	123,167	8,435	112,982	7,657	10,185	12,810	5,510	6,957
501(c)(2)	225	40,652	225	76,416	223	-35,763	41,542	136	1,887
501(c)(3)	10,407	4,017,232	10,347	5,008,566	9,098	-991,335	1,290,335	3,525	93,837
501(c)(4)	1,364	293,748	1,364	335,071	1,201	-41,323	51,618	334	2,023
501(c)(5)	2,265	201,162	2,265	271,860	1,762	-70,698	90,293	825	5,189
501(c)(6)	6,362	815,740	6,325	1,020,955	5,081	-205,216	278,042	2,013	21,608
501(c)(7)	6,582	409,658	6,508	404,636	5,932	5,022	71,114	4,548	16,633
501(c)(8)	977	63,452	977	100,786	834	-37,334	43,348	498	1,010
501(c)(9)	809	833,098	802	412,824	537	420,274	20,538	424	149,461
501(c)(10)	209	11,973	209	13,312	209	-1,339	1,985	*130	*418
501(c)(11)	--	--	--	--	--	--	--	--	--
501(c)(12)	120	20,455	120	22,129	119	-1,675	4,977	29	931
501(c)(13)	*54	*2,334	*54	*2,027	*54	*308	*-70	*10	*121
501(c)(14)	*160	*11,216	*160	*13,431	*160	*-2,215	*2,710	*80	*86
501(c)(15)	**	**	**	**	**	**	**	**	**
501(c)(16)	--	--	--	--	--	--	--	--	--
501(c)(17)	**	**	**	**	**	**	**	**	**
501(c)(18)	*6	*763	*6	*724	*6	*39	--	*6	*10
501(c)(19)	1,644	116,508	1,625	135,898	1,328	-19,390	26,841	534	1,356
501(c)(21) [5]	--	--	--	--	--	--	--	--	--
501(c)(22)	--	--	--	--	--	--	--	--	--
501(c)(23)	**	**	**	**	**	**	**	**	**
501(c)(24)	**	**	**	**	**	**	**	**	**
501(c)(25)	*32	*7,998	*32	*6,481	*31	*1,516	*388	*10	*691

*Estimate should be used with caution because of the small number of sample returns on which it is based.

**Data deleted to avoid disclosure of information for specific taxpayers. However, data are included in the appropriate totals.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $1.9 billion.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Excludes returns with net income (less deficit) equal to zero.

[4] Total income tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus taxes from recapture of certain prior-year credits, the "alternative minimum tax," and the "proxy" tax on nondeductible lobbying and political expenditures. The proxy tax was reported on Form 990-T and was included in total income tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI, total proxy tax was $1.8 million.

[5] Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt beginning with tax years after June 30, 1992. Therefore, these organizations are not listed in this table.

NOTES: Detail may not add to totals because of rounding. See the Appendix to this article for a listing of the types of tax-exempt organizations, by the Internal Revenue Code section describing them.

Table 2.--Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Net Income (Less Deficit), Deficit, and Total Income Tax, by Size of Gross UBI, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Net income (less deficit)		Deficit	Total income tax [4]	
			Number of returns	Amount	Number of returns [3]	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	**40,621**	**7,294,504**	**40,353**	**8,095,558**	**35,059**	**-801,054**	**1,970,672**	**19,365**	**372,603**
$1,000 under $10,001 [5]	19,174	69,798	18,984	111,727	16,080	-41,928	61,123	10,316	3,298
$10,001 under $100,000 [5]	14,303	545,514	14,240	803,128	12,547	-257,614	353,649	6,088	20,056
$100,000 under $500,000	5,291	1,143,432	5,281	1,562,434	4,787	-419,003	550,117	2,201	35,789
$500,000 under $1,000,000	898	623,789	895	774,902	791	-151,113	222,076	378	22,084
$1,000,000 under $5,000,000	783	1,547,136	782	1,870,778	697	-323,642	520,601	312	67,193
$5,000,000 or more	171	3,364,835	171	2,972,590	157	392,246	263,107	69	224,183

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $1.9 billion.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Excludes returns with net income (less deficit) equal to zero.

[4] Total income tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus taxes from recapture of certain prior-year credits, the "alternative minimum tax," and the "proxy" tax on nondeductible lobbying and political expenditures. The proxy tax was reported on Form 990-T and was included in total income tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI, total proxy tax was $1.8 million.

[5] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (only a "partial" return was required) and all other Form 990-T filers (a more detailed "complete" return was required). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

NOTE: Detail may not add to totals because of rounding.

Table 3.--Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Net Income (Less Deficit), Deficit, and Total Income Tax, by Size of Net Income (Taxable Profit) or Deficit, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of net income (taxable profit) or deficit	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Net income (less deficit)		Total income tax [4]	
			Number of returns	Amount	Number of returns [3]	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	**40,621**	**7,294,504**	**40,353**	**8,095,558**	**35,059**	**-801,054**	**19,365**	**372,603**
Deficit	15,547	3,024,038	15,547	4,994,712	15,547	-1,970,672	178	2,393
Zero [5]	5,562	715,892	5,562	715,891	--	--	71	315
$1 under $1,000	5,396	43,419	5,396	41,153	5,396	2,266	5,312	336
$1,000 under $10,000	8,538	263,586	8,348	231,720	8,538	31,866	8,294	5,330
$10,000 under $100,000	4,709	610,515	4,646	466,515	4,709	144,000	4,648	28,575
$100,000 under $500,000	643	422,411	634	290,206	643	132,205	638	41,868
$500,000 under $1,000,000	98	193,675	95	125,325	98	68,350	97	22,958
$1,000,000 or more	127	2,020,969	126	1,230,036	127	790,933	126	270,829

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $1.9 billion.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Excludes returns with net income (less deficit) equal to zero.

[4] Total income tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus taxes from recapture of certain prior-year credits, the "alternative minimum tax," and the "proxy" tax on nondeductible lobbying and political expenditures. The proxy tax was reported on Form 990-T and was included in total income tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI, total proxy tax was $1.8 million.

[5] Includes "breakeven" returns with equal amounts of gross unrelated business income and total deductions.

NOTE: Detail may not add to totals because of rounding.

Table 4.--Returns with Positive Net Income (Taxable Profit): Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Net Income (Taxable Profit), and Total Income Tax, by Type of Organization and Size of Gross UBI, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Type of organization and size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Net income (taxable profit)	Total income tax [3]	
			Number of returns	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL ORGANIZATIONS							
Total	**19,511**	**3,554,574**	**19,244**	**2,384,955**	**1,169,618**	**19,115**	**369,896**
$1,000 under $10,001 [4]	10,501	36,994	10,311	17,799	19,195	10,315	3,298
$10,001 under $100,000 [4]	6,110	225,922	6,047	129,887	96,035	5,944	19,312
$100,000 under $500,000	2,170	458,955	2,160	327,841	131,114	2,134	34,709
$500,000 under $1,000,000	373	259,157	370	188,193	70,964	367	21,982
$1,000,000 under $5,000,000	292	560,994	291	364,036	196,958	290	66,939
$5,000,000 or more	65	2,012,552	65	1,357,200	655,352	65	223,656
TAX-EXEMPT CORPORATIONS							
Total	**12,632**	**2,627,735**	**12,442**	**2,147,773**	**479,962**	**12,276**	**133,580**
$1,000 under $10,001 [4]	4,796	21,774	4,642	10,271	11,502	4,646	1,702
$10,001 under $100,000 [4]	5,260	198,987	5,229	125,322	73,665	5,095	11,468
$100,000 under $500,000	1,983	417,357	1,979	320,754	96,603	1,949	22,141
$500,000 under $1,000,000	330	228,654	329	181,810	46,844	325	13,908
$1,000,000 under $5,000,000	225	426,759	225	345,744	81,015	223	25,865
$5,000,000 or more	38	1,334,203	38	1,163,871	170,331	38	58,496
TAX-EXEMPT TRUSTS							
Total	**6,879**	**926,839**	**6,802**	**237,183**	**689,657**	**6,840**	**236,316**
$1,000 under $10,001 [4]	5,706	15,220	5,669	7,527	7,692	5,669	1,596
$10,001 under $100,000 [4]	850	26,935	818	4,565	22,370	850	7,844
$100,000 under $500,000	187	41,598	181	7,087	34,511	185	12,568
$500,000 under $1,000,000	43	30,503	41	6,384	24,119	42	8,075
$1,000,000 under $5,000,000	67	134,235	66	18,291	115,944	67	41,073
$5,000,000 or more	27	678,349	27	193,328	485,021	27	165,160

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting net income (taxable profit), cost of sales and services was $682.3 million, all of which was attributable to tax-exempt corporations.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Total income tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus taxes from recapture of certain prior-year credits, the "alternative minimum tax," and the "proxy" tax on nondeductible lobbying and political expenditures. The proxy tax was reported on Form 990-T and was included in total income tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting positive net income, total proxy tax was $0.4 million, all of which was attributable to tax-exempt corporations.

[4] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (only a "partial" return was required) and all other Form 990-T filers (a more detailed "complete" return was required). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

NOTE: Detail may not add to totals because of rounding.

Table 5.--Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Net Income (Less Deficit), Deficit, and Total Income Tax, by Primary Unrelated Business Activity or Industrial Grouping, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Primary unrelated business activity or industrial grouping	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Net income (less deficit)		Deficit	Total income tax [4]	
			Number of returns	Amount	Number of returns [3]	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All activities and groupings	**40,621**	**7,294,504**	**40,353**	**8,095,558**	**35,059**	**-801,054**	**1,970,672**	**19,365**	**372,603**
Agriculture, forestry, and fishing	399	31,641	399	72,257	321	-40,617	42,210	122	493
Mining	136	17,606	136	19,709	135	-2,103	6,945	119	1,178
Construction	*39	*4,368	*39	*10,304	*39	*-5,936	*5,952	*37	*2
Manufacturing	874	193,954	837	247,200	611	-53,246	72,383	226	6,633
Transportation and public utilities	686	120,059	686	188,068	620	-68,009	74,810	250	2,096
Wholesale trade	87	5,614	87	6,386	86	-772	2,082	15	231
Retail trade	3,991	621,807	3,972	810,438	3,680	-188,630	267,044	1,525	24,348
Finance, insurance, and real estate, total	18,608	3,090,399	18,480	2,618,739	16,364	471,660	390,218	11,270	282,351
Unrelated debt-financed activities, except rental of real estate	940	207,833	931	180,501	861	27,333	36,159	698	20,681
Investment activities of Code section 501(c)(7), (9), and (17) organizations	3,690	947,488	3,647	509,990	3,066	437,498	22,282	2,790	150,749
Rental of personal property	638	47,596	638	70,430	596	-22,834	27,253	250	986
Passive income activities with controlled organizations	408	50,052	405	55,096	402	-5,045	13,743	345	2,353
Other finance, insurance, and real estate	12,932	1,837,430	12,859	1,802,722	11,439	34,708	290,781	7,187	107,582
Services	15,044	3,115,758	14,964	4,027,844	12,572	-912,087	1,080,503	5,441	46,761
Exploited exempt activities	370	53,073	370	62,368	247	-9,295	14,996	203	898
Not allocable	386	40,225	385	32,243	384	7,982	13,530	156	7,612

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $1.9 billion.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Excludes returns with net income (less deficit) equal to zero.

[4] Total income tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus taxes from recapture of certain prior-year credits, the "alternative minimum tax," and the "proxy" tax on nondeductible lobbying and political expenditures. The proxy tax was reported on Form 990-T and was included in total income tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting gross UBI, total proxy tax was $1.8 million.

NOTE: Detail may not add to totals because of rounding.

Table 6.--Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Gross unrelated business income (UBI)		Sources of gross unrelated business income (UBI) [1]: Gross profit (less loss) from sales and services		Capital gain net income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**40,621**	**7,294,504**	**16,175**	**3,564,351**	**884**	**500,261**
$1,000 under $10,001 [2]	**19,174**	**69,798**	**4,112**	**15,071**	***260**	***1,141**
$10,001 or more, total [2,3]	**21,446**	**7,224,706**	**12,062**	**3,549,281**	**624**	**499,120**
$10,001 under $100,000 [2]	14,303	545,514	7,547	251,207	308	7,352
$100,000 under $500,000	5,291	1,143,432	3,305	606,342	190	24,772
$500,000 under $1,000,000	898	623,789	594	327,991	38	13,850
$1,000,000 under $5,000,000	783	1,547,136	514	813,747	63	70,850
$5,000,000 or more	171	3,364,835	102	1,549,994	25	382,296

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI) [1]--Continued: Net capital loss (trusts only)		Net gain (less loss), sales of noncapital assets [4]		Income (less loss) from partnerships	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(7)	(8)	(9)	(10)	(11)	(12)
Total	**26**	**1,053**	**324**	**4,184**	**9,170**	**357,229**
$1,000 under $10,001 [2]	**--**	**--**	***38**	***-2**	**7,900**	**19,770**
$10,001 or more, total [2,3]	**26**	**1,053**	**286**	**4,186**	**1,269**	**337,460**
$10,001 under $100,000 [2]	--	--	130	-5	895	19,728
$100,000 under $500,000	*15	*534	113	1,360	195	17,406
$500,000 under $1,000,000	3	26	12	211	60	12,249
$1,000,000 under $5,000,000	8	493	23	2,566	83	34,705
$5,000,000 or more	--	--	8	54	36	253,372

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI) [1]-- Continued: Rental income [5]		Unrelated debt-financed income		Investment income (less loss) [6]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(13)	(14)	(15)	(16)	(17)	(18)
Total	**3,873**	**154,376**	**2,639**	**371,144**	**6,025**	**631,951**
$1,000 under $10,001 [2]	**1,192**	**5,567**	**833**	**3,449**	**2,577**	**8,098**
$10,001 or more, total [2,3]	**2,681**	**148,809**	**1,807**	**367,694**	**3,448**	**623,853**
$10,001 under $100,000 [2]	1,951	36,660	1,094	29,678	2,300	32,857
$100,000 under $500,000	547	47,936	505	64,311	897	61,839
$500,000 under $1,000,000	89	18,749	80	31,679	132	36,923
$1,000,000 under $5,000,000	80	34,542	105	91,161	96	121,915
$5,000,000 or more	15	10,922	23	150,864	24	370,320

Footnotes at end of table.

Table 6.--Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 1996 --Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI) [1]--Continued: Income from controlled organizations [7]		Exploited exempt activity income, except advertising		Advertising income		Other income (less loss)	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Total	**1,102**	**66,844**	**969**	**107,230**	**7,914**	**1,086,617**	**5,542**	**451,371**
$1,000 under $10,001 [2]	**264**	**720**	***186**	***1,066**	**2,861**	**11,707**	**1,459**	**3,211**
$10,001 or more, total [2,3]	**838**	**66,124**	**783**	**106,163**	**5,053**	**1,074,910**	**4,083**	**448,159**
$10,001 under $100,000 [2]	562	9,748	383	8,481	3,185	96,983	2,625	52,824
$100,000 under $500,000	194	13,745	264	25,428	1,351	200,180	1,084	80,647
$500,000 under $1,000,000	35	4,615	68	17,960	254	120,811	203	38,776
$1,000,000 under $5,000,000	37	15,631	56	29,492	213	250,040	140	82,980
$5,000,000 or more	10	22,384	12	24,802	50	406,896	32	192,932

*Estimate should be used with caution because of the small number of sample returns on which it is based.

[1] For definitions of the sources of gross unrelated business income, see the Explanation of Selected Terms section of this article.

[2] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (only a "partial" return was required) and all other Form 990-T filers (a more detailed "complete" return was required). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

[3] All organizations were required to report each income item, as shown in columns 3 through 26. However, only organizations with gross UBI over $10,000 were required to report each deduction shown in columns 14 through 45, 48, 49, and 54 through 59 of Table 7. Totals for these larger organizations with gross UBI over $10,000 are shown in order to facilitate comparison with Table 7.

[4] Property other than capital assets generally included property of a business nature, in contrast to personal and investment property, which were capital assets.

[5] Income from real property and personal property leased with real property.

[6] Reported by Internal Revenue Code section 501(c)(7), (9), and (17) organizations only.

[7] Annuities, interest, rents, and royalties.

NOTE: Detail may not add to totals because of rounding.

Table 7.--Types of Deductions, by Size of Gross Unrelated Business Income, Tax Year 1996

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	All organizations: Total number of returns	All organizations: Total deductions [1,2]: Number of returns	All organizations: Total deductions [1,2]: Amount	Organizations with gross unrelated business income (UBI) of $10,000 or less [3]: Total deductions [2,4]: Number of returns	Total deductions [2,4]: Amount	Net operating loss carryover: Number of returns	Net operating loss carryover: Amount	Specific deduction: Number of returns	Specific deduction: Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	**40,621**	**40,353**	**8,095,558**	**18,984**	**111,727**	**3,339**	**44,828**	**12,099**	**11,099**
$1,000 under $10,001 [3]	19,174	18,984	111,727	18,984	111,727	3,339	44,828	12,099	11,099
$10,001 under $100,000 [3]	14,303	14,240	803,128	--	--	--	--	--	--
$100,000 under $500,000	5,291	5,281	1,562,434	--	--	--	--	--	--
$500,000 under $1,000,000	898	895	774,902	--	--	--	--	--	--
$1,000,000 under $5,000,000	783	782	1,870,778	--	--	--	--	--	--
$5,000,000 or more	171	171	2,972,590	--	--	--	--	--	--

Organizations with gross unrelated business income (UBI) over $10,000 [3]

Size of gross unrelated business income (UBI)	Total deductions [2,5]: Number of returns	Total deductions [2,5]: Amount	Deductions directly connected with UBI: Total: Number of returns	Total: Amount	Allocable to rental income [6]: Number of returns	Allocable to rental income [6]: Amount	Allocable to unrelated debt-financed income [6]: Number of returns	Allocable to unrelated debt-financed income [6]: Amount	Allocable to investment income [6,7]: Number of returns
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	**21,369**	**7,983,832**	**19,706**	**7,378,008**	**1,074**	**83,427**	**1,512**	**362,018**	**945**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	14,240	803,128	12,793	769,837	712	17,043	864	33,907	470
$100,000 under $500,000	5,281	1,562,434	5,138	1,492,469	266	32,184	456	66,713	352
$500,000 under $1,000,000	895	774,902	870	727,499	41	8,876	76	28,091	63
$1,000,000 under $5,000,000	782	1,870,778	747	1,761,259	45	19,374	95	86,704	52
$5,000,000 or more	171	2,972,590	158	2,626,943	9	5,950	20	146,604	8

Organizations with gross unrelated business income (UBI) over $10,000 [3]--Continued

Size of gross unrelated business income (UBI)	Deductions directly connected with UBI--Continued: Allocable to investment income [6,7] --Continued: Amount	Allocable to income from controlled organizations [6]: Number of returns	Allocable to income from controlled organizations [6]: Amount	Allocable to exploited exempt activity income, except advertising [6]: Number of returns	Allocable to exploited exempt activity income, except advertising [6]: Amount	Direct advertising costs [6]: Number of returns	Direct advertising costs [6]: Amount	Compensation of officers, directors, and trustees: Number of returns	Compensation of officers, directors, and trustees: Amount
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
Total	**32,826**	**438**	**52,017**	**652**	**93,204**	**4,689**	**815,598**	**1,958**	**53,142**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	3,255	309	6,535	306	6,234	2,930	83,892	1,063	18,721
$100,000 under $500,000	4,386	91	8,786	222	22,603	1,266	151,361	649	15,359
$500,000 under $1,000,000	4,285	16	3,216	63	14,985	243	88,355	120	5,542
$1,000,000 under $5,000,000	6,461	18	12,431	50	24,321	205	187,031	102	4,724
$5,000,000 or more	14,439	4	21,048	12	25,061	45	304,959	25	8,796

Organizations with gross unrelated business income (UBI) over $10,000 [3]--Continued

Size of gross unrelated business income (UBI)	Deductions directly connected with UBI--Continued: Salaries and wages: Number of returns	Salaries and wages: Amount	Repairs: Number of returns	Repairs: Amount	Bad debts: Number of returns	Bad debts: Amount	Interest: Number of returns	Interest: Amount
	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
Total	**10,007**	**1,059,851**	**6,909**	**68,253**	**762**	**21,076**	**2,338**	**58,580**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	5,863	119,712	4,244	13,920	261	180	1,144	4,397
$100,000 under $500,000	3,076	272,855	1,989	21,224	298	1,504	884	11,761
$500,000 under $1,000,000	525	132,037	351	8,544	74	1,980	152	5,936
$1,000,000 under $5,000,000	460	269,821	270	14,410	99	10,013	124	22,291
$5,000,000 or more	83	265,426	54	10,155	30	7,399	34	14,195

Footnotes at end of table.

Table 7.--Types of Deductions, by Size of Gross Unrelated Business Income, Tax Year 1996--Continued

[All figures are estimates based on samples--money amounts are in thousands of dollars]

Size of gross unrelated business income (UBI)	Organizations with gross unrelated business income (UBI) over $10,000 [3]--Continued							
	Deductions directly connected with UBI--Continued							
	Taxes and licenses paid deduction		Depreciation		Depletion		Contributions to deferred compensation plans	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(36)	(37)	(38)	(39)	(40)	(41)	(42)	(43)
Total	**10,670**	**172,031**	**7,334**	**158,277**	**76**	**2,446**	**745**	**8,574**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	6,941	29,273	4,351	18,489	51	290	348	366
$100,000 under $500,000	2,864	55,088	2,186	45,063	19	602	274	1,368
$500,000 under $1,000,000	449	20,511	387	19,674	--	--	62	1,108
$1,000,000 under $5,000,000	346	28,682	335	42,950	5	1,554	48	1,735
$5,000,000 or more	71	38,478	75	32,101			13	3,997

Size of gross unrelated business income (UBI)	Organizations with gross unrelated business income (UBI) over $10,000 [3]--Continued							
	Deductions directly connected with UBI--Continued						Deductions not directly connected with UBI	
	Contributions to employee benefit plans		Net operating loss carryover		Other deductions		Total	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)
Total	**4,168**	**124,622**	**5,808**	**1,586,004**	**13,240**	**2,626,063**	**11,181**	**605,823**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	1,929	5,413	3,445	271,285	8,229	136,925	7,515	33,290
$100,000 under $500,000	1,525	21,481	1,687	435,608	3,690	324,523	2,704	69,965
$500,000 under $1,000,000	334	14,497	297	194,943	649	174,920	463	47,403
$1,000,000 under $5,000,000	315	37,130	319	445,194	557	547,667	403	109,519
$5,000,000 or more	65	46,102	61	238,975	115	1,442,027	96	345,647

Size of gross unrelated business income (UBI)	Organizations with gross unrelated business income (UBI) over $10,000 [3]--Continued							
	Deductions not directly connected with UBI--Continued							
	Specific deduction		Contributions		Set-asides [7]		Excess exempt expenses	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)
Total	**9,062**	**8,741**	**1,561**	**39,661**	**384**	**354,373**	**2,223**	**203,048**
$1,000 under $10,001 [3]	--	--	--	--	--	--	--	--
$10,001 under $100,000 [3]	6,287	6,010	1,045	6,347	231	5,691	1,228	15,241
$100,000 under $500,000	2,083	2,047	383	7,692	70	18,446	672	41,780
$500,000 under $1,000,000	347	344	61	3,323	36	15,614	152	28,121
$1,000,000 under $5,000,000	282	278	51	3,304	37	53,841	138	52,096
$5,000,000 or more	63	63	20	18,994	10	260,780	33	65,809

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $1.9 billion.

[2] Includes both deductions reported on the main part of the tax return and expense items reported on attached schedules.

[3] Organizations with gross UBI between $1,000 (the filing threshold) and $10,000 were required to report only totals for expenses and deductions (except for the specific deduction and net operating loss carryover, which all organizations reported separately). Organizations with gross UBI over $10,000 were required to report each expense and deduction item separately, as shown in columns 14 through 45, 48, 49, and 54 through 59.

[4] Excludes $50.2 million of cost of sales and services reported by organizations with gross UBI of $10,000 or less. See footnote 1 for explanation.

[5] Excludes $1.8 billion of cost of sales and services reported by organizations with gross UBI over $10,000. See footnote 1 for explanation.

[6] This deduction was required to be reported as a lump-sum total only and may have included component deductions that were of the same type shown elsewhere in this table. For example, if deductions "allocable to rental income" included depreciation, then that amount of depreciation would not be included in the separately reported item, "depreciation." Therefore, the total amount shown for some of the separately reported deductions may be understated.

[7] Reported by Internal Revenue Code section 501(c)(7), (9), and (17) organizations only.

NOTE: Detail may not add to totals because of rounding.