

Unrelated Business Income of Nonprofit Organizations, 1994

by Margaret Riley

Tax-exempt “nonprofit” organizations reported \$5.4 billion of gross “unrelated business income” (UBI) on Form 990-T, *Exempt Organization Business Income Tax Return*, for Tax Year 1994 [1]. After reducing gross UBI by \$6.5 billion of allowable deductions, the resulting overall net deficit was \$1.1 billion. However, 52 percent of these 35,657 organizations, which are normally exempt from income tax under the Internal Revenue Code, reported an aggregate net taxable profit of \$643.0 million from unrelated business activities. After adjustments for other taxes and certain credits were made to the \$191.5 million of reported unrelated business income tax, nonprofit organizations incurred a total tax liability of \$195.2 million [2].

In general, income of a nonprofit organization is subject to the “unrelated business income tax” if it is produced from activities that are regularly carried on and are not substantially related to the organization’s tax-exempt purpose. 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 bingo games, as specified in the Code.

Financial Highlights

As shown in Figure A, gross unrelated business income increased by 15 percent between 1993 and 1994. Total deductions increased by 13 percent and the amount of aggregate net loss increased by 8 percent. The number of organizations reporting taxable profit was 23 percent higher for 1994, but the total dollar amount of the profit rose by only 7 percent. (See Table 4 at the end of this data release for information on organizations reporting taxable profit.) Total income tax reported on Form 990-T was 8 percent higher for 1994, a much lower growth rate than the 37-percent increase between 1992 and 1993. The large increase for 1993 resulted mainly from new tax provisions limiting deductions for lobbying expenses, the imposition of the “proxy tax” on nondeductible lobbying expenditures, and increases in income tax rates, especially those applicable to nonprofit trusts filing Form 990-T [3]. For 1994, tax rates remained unchanged for nonprofit corporations and were lowered slightly for nonprofit trusts.

The largest portion of aggregate gross income reported

This article was written by Margaret Riley, a statistician with the Special Studies Special Projects Section, under the direction of Michael Alexander, Chief.

Figure A

Selected Financial Data from Exempt Organization Business Income Tax Returns, Tax Years 1993 and 1994

[Money amounts are in thousands of dollars]

Item	1993	1994	Percentage change
	(1)	(2)	(3)
Number of returns, total.....	32,638	35,657	+9.2
With net income (taxable profit).....	15,067	18,588	+23.4
Without net income (taxable profit)...	17,571	17,070	-2.9
Gross unrelated business income.....	4,694,181	5,379,838	+14.6
Total deductions.....	5,741,420	6,506,838	+13.3
Net income (less deficit).....	-1,047,239	-1,127,001	+7.6
Net income (taxable profit).....	603,593	642,953	+6.5
Deficit.....	-1,650,831	-1,769,954	+7.2
Unrelated business income tax.....	180,046	191,492	+6.4
Total income tax.....	181,437	195,191	+7.6

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

on Form 990-T was \$2.7 billion of gross profit (less loss) from sales and services, which accounted for one-half of the total. (See Table 6 for the components of gross UBI, which are defined in the Explanation of Selected Terms section of this data release.) Most of the income derived from this component is from for-profit commercial activities carried on by the nonprofit organizations. Examples of some of the types of business activities that, if determined to be unrelated to the nonprofit organization’s tax-exempt mission, would generate gross profit (less loss) from sales and services are data processing services, sales of insurance to nonmembers, sales of food and beverages to nonmembers, operation of day care centers, operation of golf courses for nonmembers, operation of fitness/recreation centers, operation of parking lots, medical laboratory services, land surveying/testing services, referral services, and various amusement and recreation services.

Gross profit from sales and services increased 27 percent between 1993 and 1994. It has been gaining in importance as a source of income for nonprofits over the past few years. For the 1990 to 1994 period, this component increased gradually from 41 percent to 51 percent of total unrelated business income reported by organizations with gross UBI above \$10,000. (Prior to 1992, organizations with gross UBI of \$10,000 or less were not required to report each income item separately; only a total of gross UBI was reported.) Three-quarters of the \$2.7 billion total of gross profit (less loss) from sales and services reported for 1994 by all nonprofit organizations can be credited to charitable organizations tax-exempt under Internal Rev-

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enue Code section 501(c)(3) [4]. (See the Appendix to this data release for a description of the various types of tax-exempt organizations, which are listed by Code section.) Their \$2.0 billion of revenue from this component accounted for 65 percent of their gross UBI from all sources.

The second-largest component of gross UBI for 1994 was advertising income. This item comprised 18 percent, or nearly \$1 billion, of gross unrelated business income. Organizations tax-exempt under sections 501(c)(3) and 501(c)(6) (business leagues, chambers of commerce, and real estate boards) together accounted for 84 percent of all reported advertising income. Typically, this is a major source of unrelated business income for the 501(c)(6) organizations; for 1994, it was 56 percent of their gross UBI. By contrast, advertising income was only 13 percent of gross UBI reported by the 501(c)(3) charities.

The next section contains a special analysis of unrelated business income, based on a subsample of tax returns from the Form 990-T SOI study and a counterpart subsample of information returns from the 1994 Form 990 (*Return of Organization Exempt*

From Income Tax) SOI study, with both subsamples incorporating the same set of organizations [5]. While the Form 990-T sample weights were used to produce the statistics presented elsewhere in this data release, the Form 990 sample weights were used in the special analysis because any tax return that was not initially selected for the Form 990-T sample, based on established income levels and sampling rates, ultimately was included if an information return filed by the same organization was present in the Form 990 sample. In effect, the Form 990 sample was the catalyst for developing the Form 990-T subsample, from which data were used to supplement the information reported by the same organization on its Form 990. The return matching process employed to develop the two subsamples is explained in more detail in the following section.

Measuring Nonprofit Involvement in Unrelated Business Activities from Matched Forms 990 and 990-T

The 1994 Statistics of Income (SOI) study samples of Form 990 and Form 990-T incorporated a special “integrated” sample matching program to gather information

on “related” (tax-exempt) and “unrelated” (taxable) income and expenses for organizations that filed both forms. Under the matching program, the Form 990-T sample included unrelated business income tax returns filed by any organizations whose Form 990 information returns were selected for either of two other SOI samples, one that included charities tax-exempt under section 501(c)(3), and a separate sample that included organizations tax-exempt under sections 501(c)(4) through 501(c)(9) [6, 7].

Returns selected for the two Form 990 samples 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 initially was not selected “in its own right” 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 initially were not selected for the sample were compared to the EIN’s of returns selected for the two Form 990 SOI samples. When a match occurred, the matched 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 samples, formed the “integrated” portion of the Form 990-T sample. This integrated portion became the Form 990-T subsample used for the special analysis of nonprofit involvement in unrelated business activities.

Of the total 6,838 records in the Form 990-T sample, there were 4,472 that matched records in the two Form 990 samples, based on the EIN. Half of these Forms 990-T were not selected initially but became part of the sample because they subsequently matched a selected Form 990. Applying Form 990 sample weights to the matched records produced an estimated population of 20,875 organizations for analysis, as shown in Figure B [8]. To clarify, this population is estimated based on Form 990 and Form 990-T records in the SOI samples that had matching EIN’s; it is not the estimated total population of section 501(c)(3) through 501(c)(9) organizations filing Forms 990-T. The estimated total number of Forms 990-T filed for Tax Year 1994 by organizations in each of these Code section groupings is shown in Table 1 at the end of this data release [9]. The matched records provide the means for consistency in analyzing exempt-function and nonexempt-function income of organizations that are involved in unrelated business activities.

The 20,875 organizations for which statistics are

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Figure B

Forms 990 and 990-T Matched Returns: Percentage of Returns Filed, by Selected Internal Revenue Code Section and the Proportion of Total Gross Receipts (TGR) Attributable to Unrelated Business Gross Receipts (UBGR), Tax Year 1994

Internal Revenue Code section ²	Number of matched returns	Proportion of total gross receipts attributable to unrelated business gross receipts ¹							
		Less than 1 percent	1 percent under 5 percent	5 percent under 10 percent	10 percent under 25 percent	25 percent under 50 percent	50 percent under 75 percent	75 percent or more	
								Total	Over 100 percent ³
Percentage of returns filed in each proportion category									
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total	20,875	19.0	29.8	16.2	16.1	8.3	3.4	7.2	1.1
501(c)(3).....	6,182	31.8	33.4	10.3	9.7	3.1	3.8	8.0	1.9
(4).....	1,205	6.1	13.4	9.9	7.5	6.9	1.7	54.6	6.5
(5).....	1,775	14.4	11.5	12.6	15.9	34.3	8.7	2.6	--
(6).....	5,374	7.9	31.6	21.4	23.5	9.7	3.8	2.1	0.4
(7).....	5,115	17.1	33.9	22.1	20.1	3.4	0.3	3.1	--
(8).....	652	25.2	11.7	14.7	12.9	20.6	13.2	1.8	**
(9).....	572	35.7	51.1	3.3	3.9	3.0	0.5	2.5	**

**Data deleted to avoid disclosure of information for specific taxpayers.

¹ Total income and unrelated business income were adjusted to reflect gross receipts from current tax year (1994) operations only and to make their components more analogous for comparison. See Figure C for an explanation of "total gross receipts" and "unrelated business gross receipts."

² See the Appendix to this data release for a description of the types of organizations by Internal Revenue Code section.

³ Includes 222 returns where the amount of adjusted unrelated business gross receipts reported on Form 990-T exceeded the amount of adjusted total gross receipts reported on Form 990. See text for a discussion of these returns.

NOTE: Percentages may not add to 100 because of rounding.

shown in Figure B represent Form 990 filers that reported unrelated business income on Form 990-T. These organizations accounted for 10 percent of the 209,086 population of Code section 501(c)(3) through 501(c)(9) organizations filing Form 990, based on the SOI Form 990 samples (excluding Form 990-EZ). Figure B illustrates, to a large degree, the extent to which the organizations selected for the matched Forms 990 and 990-T subsamples engaged in unrelated business activities. This is measured by the proportion of "total gross receipts" (TGR) that is derived from "unrelated business gross receipts" (UBGR). The amounts of total revenue from Form 990 and unrelated business income from Form 990-T were adjusted to make them more analogous for comparison and to include only those components that are considered to be current tax year (1994) gross receipts [10]. The formulas used to compute total gross receipts and unrelated business gross receipts are shown in Figure C.

Overall, 19 percent of the matched Form 990 and Form 990-T filers reported gross receipts from unrelated business activities that were less than 1 percent of their total gross receipts; 65 percent of the organizations reported less than 10 percent of their TGR attributable to UBGR; and about 11 percent reported UBGR that was 50 percent or more of their TGR. However, observing the different groups of organizations categorized by Code section, the percentages of returns filed vary substantially within the

Figure C

Formulas Used to Compute Total Gross Receipts (TGR) and Unrelated Business Gross Receipts (UBGR) Shown in Figure B

Form 990 Total Gross Receipts =

- Total revenue (Part I, line 12)
- + Rental expenses¹ (Part I, line 6b)
- + Direct expenses from special events, other than fundraising¹ (Part I, line 9b)
- + Cost of sales and services² (Part I, line 10b)
- Contributions, gifts, and grants received (Part I, line 1d)

Form 990-T Unrelated Business Gross Receipts =

- Gross unrelated business income (Part I, line 13A)
- + Cost of sales and services² (Part I, line 2)
- Set-asides³ (Schedule G, column 4)

¹ On Form 990, these expenses were deducted from gross income prior to calculating "total revenue."

² On Forms 990 and 990-T, this expense was deducted from gross income prior to calculating "total revenue" and "gross unrelated business income."

³ On Form 990-T, "set-asides" were first included in total gross unrelated business income and then subtracted from the total as an expense in computing net income. Internal Revenue Code section 501(c)(7), (9), and (17) organizations were allowed to expense this amount because it was money set aside for tax-exempt purposes. Therefore, the set-aside amount was considered exempt-function income. For a definition of set-asides, see the Explanation of Selected Terms section of this data release.

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seven ranges of proportions shown in Figure B.

A large majority, from 73 percent up to 90 percent, of each group of section 501(c)(3) charities, section 501(c)(7) social and recreational clubs, and section 501(c)(9) voluntary employee beneficiary associations reported gross receipts from unrelated business activities that were less than 10 percent of their gross receipts from all sources, related and unrelated, for 1994. Sixty-one percent of the section 501(c)(6) business leagues, chambers of commerce, and real estate boards and 52 percent of the 501(c)(8) fraternal beneficiary societies and organizations also reported less than 10 percent of total receipts from UBGR.

About half of the section 501(c)(5) labor, agricultural, and horticultural organizations, and about one-third of the organizations exempt under sections 501(c)(6) and 501(c)(8) reported UBGR that was in the range of 10 percent under 50 percent of TGR. Between 7 percent and 27 percent of the returns filed by each of the remaining Code section groups of organizations fell into this range.

Slightly more than half of the 1,205 section 501(c)(4) social welfare organizations in the matched return study reported that 75 percent or more of their TGR was generated from unrelated business activities. All but six of these section 501(c)(4) organizations reported gross receipts from sales and services as the sole source of their UBGR. Virtually all of them reported their primary business activity as "amusement and recreation services" [11].

A limited review of the returns in the matched sample revealed that, in some cases, not all of the unrelated income reported on Form 990-T had been included in the total income reported on the associated Form 990, which should have included all related and unrelated income. There were an estimated 222 returns where the income reported on the Form 990-T actually was higher than that reported on the Form 990. Included in this group were 116 returns filed by section 501(c)(3) organizations, 78 filed by section 501(c)(4) organizations, 24 filed by section 501(c)(6) organizations, and 4 filed by section 501(c)(8) and 501(c)(9) organizations, combined. These latter two categories are combined to avoid the possibility of disclosure of information for specific taxpayers. There may be additional cases in which the Form 990 fails to contain the full amount of unrelated income reported on the Form 990-T, but they cannot be identified as easily as the ones discussed here [12].

The majority of these 222 returns were filed by smaller organizations, in terms of their income and asset size (94 percent had total gross receipts less than \$300,000 and 87 percent had total assets under \$600,000). In all but three cases, the organization paid a preparer to complete its

Form 990-T. Statistics on whether or not a paid preparer completed the associated Form 990 are not available, but it may be assumed that the same preparer completed both returns and perhaps failed to realize that unrelated (taxable) income should be included with related (tax-exempt) income on Form 990. It is important to note that the returns selected for SOI statistical studies are processed prior to audit procedures and taxpayer amendments; therefore, if any corrections were made to Forms 990 and 990-T as a result of these factors, they would not be represented in these statistics. It is possible that if undetected taxpayer reporting errors on either Form 990 or Form 990-T were identified and corrected, then the percentages shown in Figure B would be altered to some extent. If the matched returns where the unrelated income on Form 990-T was higher than total income on Form 990

are excluded from column (8) in Figure B, the resulting proportions for the section 501(c)(3), 501(c)(4), and 501(c)(6) organizations would be 6.1 percent, 48.1 percent, and 1.7 percent, respectively. Revised percentages for the section 501(c)(8) and 501(c)(9) organizations are not provided, once again for the reason of safeguarding taxpayer privacy.

About half of the section 501(c)(4) social welfare organizations reported that 75 percent or more of their total gross receipts was generated from unrelated business activities.

Data Sources and Limitations

The statistics in this data release are based on samples of Tax Year 1994 Forms 990-T, *Exempt Organization Business Income Tax Return*, and Forms 990, *Return of Organization Exempt From Income Tax*. The Internal Revenue Service required organizations having accounting periods **beginning** in 1994 (and, therefore, ending between December 1994 and November 1995) to file 1994 Forms 990 and 990-T. Because the accounting periods of the organizations filing a 1994 return vary, the financial activities covered in this data release span the period January 1994 through November 1995 (although the majority of activities occurred during Calendar Year 1994). The tables at the end of this data release were produced from the Form 990-T sample and include most types of tax-exempt organizations. The data analyzed in the section titled Measuring Nonprofit Involvement in Unrelated Business Activities from Matched Forms 990 and 990-T (and presented in Figure B) were from matched

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Internal Revenue Code section 501(c)(3) through 501(c)(9) records only. As explained earlier, this matching procedure ensured that the Form 990-T sample included unrelated business income tax returns filed by any tax-exempt organizations whose information returns were selected for either of two Form 990 samples (one of section 501(c)(3) organizations and the other of section 501(c)(4) through 501(c)(9) organizations). For an explanation of the Form 990 samples, see the Data Sources and Limitations section of the article, "Charities and Other Tax-Exempt Organizations, 1994," in this issue of the *Statistics of Income Bulletin*. The Form 990-T sample is described below.

The population from which the 1994 Form 990-T sample was drawn consisted of Form 990-T records posted to the IRS Business Master File system during 1995 and 1996. The returns in the sample were stratified based on the size of gross unrelated business income (UBI). The sample of 6,838 returns was selected from a population of 36,046. After excluding returns that were selected for the sample but later rejected, the sample size was 6,791 and the estimated population size was 35,657. 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 1994. (For example, a final return filed for the short period of January to June 1995 may have been computer-selected for the 1994 sample based on the criteria of having an ending accounting period that fit into the December 1994 to November 1995 range for a Tax Year 1994 return, but it would have been rejected because, in actuality, it was a Tax Year 1995 return.)

Sampling rates ranged from a minimum of 2.6 percent (Form 990-T gross UBI was less than \$20,000, and either there was no Form 990 match or the Form 990 match was 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 it had any amount of gross UBI and matched a Form 990 with assets of \$10,000,000 or more) [13]. Other Forms 990/990-T matches within various ranges of gross UBI, assets, and section codes were selected at rates ranging from 4 percent to 40 percent.

The information presented in this data release 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 database.

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 D 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 the 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 *Statistics of Income Bulletin*.

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 (each described in

Figure D

Coefficients of Variation for Selected Items, Tax Year 1994

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	1.10	1.40	1.44	1.44
\$1,000 under \$10,001 ¹	3.47	8.28	7.19	7.16
\$10,001 under \$100,000 ¹	1.63	4.66	5.30	6.63
\$100,000 under \$500,000.....	0.96	4.54	3.72	4.01
\$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.

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the Appendix to this data release) 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.)

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 the carrying on of 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,

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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, 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. "Control" means: (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 are 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) (each described in the Appendix to this data release) and included income such 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 Forms 990-T were Individual Retirement Arrangements (IRA's); employee pension, profit-sharing, or stock bonus plans; and employees'

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beneficiary associations providing for payment of life, health, accident, 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 data release 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. Ex-

amples 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. Forms 990-T filed solely to report the proxy tax (no unrelated business income (UBI) reported) were excluded from the SOI sample. Organizations whose returns were included in the SOI sample reported an aggregate \$4.5 million of proxy tax. Based on an unpublished tabulation of data from the IRS Returns Transaction File, a total of \$11.3 million of proxy tax was reported on Forms 990-T filed for Tax Year 1994.

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 generally were 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

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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 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. If positive taxable income was less than \$1,000, then an organization could take a specific deduction equal to its taxable income.

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"), the "alternative minimum tax," and the "environmental tax."

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 1994 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	\$1,500	15%	\$0
1,500	3,600	\$225 + 28%	1,500
3,600	5,500	813 + 31%	3,600
5,500	7,500	1,402 + 36%	5,500
7,500	--	2,122 + 39.6%	7,500

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,

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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) 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 data release. 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.
- [2] While the largest share of total income tax was the tax on unrelated business income, total tax also could have included the "proxy tax" on certain lobbying expenditures, "recapture taxes" (such as from recomputation of prior-year investment or low-income housing credits), the "alternative minimum

tax" (AMT), and the environmental tax. Also, the foreign tax credit, general business credit, prior-year minimum tax credit, and other credits (such as the U.S. possessions tax credit, nonconventional source fuel credit, and qualified electric vehicle credit) were subtracted from unrelated business income tax in computing total tax. Total applied credits for 1994 were \$1.9 million and total additional taxes were \$5.6 million. The amount of additional taxes is understated because Forms 990-T filed solely to report the proxy tax (no unrelated business income was reported) were excluded from the SOI sample and, therefore, are not represented in these statistics. Based on returns in the SOI sample, the amount of the proxy tax included in total income tax was \$4.5 million. Based on an unpublished tabulation of data from the IRS Returns Transaction File, the total amount of proxy tax reported on all Forms 990-T filed for Tax Year 1994 was \$11.3 million. The proxy tax was required to be reported on the 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. The proxy tax is defined in the Explanation of Selected Terms section of this data release.

- [3] See Riley, Margaret, "Exempt Organization Business Income Tax Returns, 1993: Highlights and an Analysis of Exempt and Nonexempt Finances," *Statistics of Income Bulletin*, Spring 1997, Volume 16, Number 4, for a discussion of the effect of the Revenue Reconciliation Act of 1993 on nonprofit organizations.
- [4] The term "charitable" refers to tax-exempt organizations with purposes that are charitable, educational, scientific, literary, or religious in nature.
- [5] Public disclosure of data from the Form 990 "information" return is allowed under Internal Revenue Code section 6104(b), with the exception of information on contributors. Public disclosure of specific taxpayer data from Form 990-T is not allowed because it is a "tax" return and, as such, is covered by the confidentiality and disclosure provisions of Code section 6103.
- [6] In addition to Forms 990, the samples included Forms 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, which were allowed to be filed by smaller organizations (those with annual

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gross receipts of less than \$100,000 and total assets of less than \$250,000 at end of year). A small number of these returns matched Forms 990-T in the integrated sample, but they were excluded from the analysis because they did not contain all of the detailed financial data items reported on Form 990 that are needed for comparison with Form 990-T financial data. Some items that were required to be reported separately on Form 990 were allowed to be lumped together in an “other” category on the Form 990-EZ, such as “other income.”

- [7] 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) through 501(c)(9), see Hilgert, Cecelia, “Charities and Other Tax-Exempt Organizations, 1994,” in this issue of the *Statistics of Income Bulletin*. Private foundations, tax exempt under Code section 501(c)(3), are required to file Form 990-PF (*Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*), rather than Form 990. For the most recent annual data on private foundations, see Arnsberger, Paul, “Private Foundations and Charitable Trusts, 1994,” *Statistics of Income Bulletin*, Fall 1997, Volume 17, Number 2. Private foundations were required to report taxable income on Forms 990-T, but this type of organization was not included in the integrated sample design. “Nonexempt charitable trusts” (described in Code section 4947(a)(1)) that filed the Form 990-PF information return for 1994 were required to report taxable income on Form 1041, *U.S. Fiduciary Income Tax Return*, not Form 990-T.
- [8] The Form 990 sample weights, rather than the Form 990-T sample weights, were used to produce matched record population estimates presented in this section of the data release. The matched data represent Form 990-T information reported only by those organizations whose returns were selected for the Form 990 samples, which are not all inclusive of the types of organizations that may be required to file Form 990-T. Some tax-exempt organizations file Form 990-T but do not file Form 990. See footnote 9, items (2), (3), and (4), for a description of those organizations. Form 990-T sample weights were used to produce the estimates presented elsewhere in this data release. Because Figure B is based on Form 990 sample weights, and the statistics

presented in all other sections of this data release are based on Form 990-T sample weights, Figure B should not be compared to the data shown in Figure A or Tables 1 through 7. For detailed information on Statistics of Income sampling methodology for producing population estimates, see the general appendix, located near the back of this issue of the *Statistics of Income Bulletin*, particularly the Sample Criteria and Selection of Returns section and the Method of Estimation section. See, also, the Data Sources and Limitations section of this data release.

- [9] Some reasons why the estimates of matched Form 990-T filings shown in Figure B (produced using Form 990 sample weights) are lower than the estimates of overall Form 990-T filings shown in Table 1 (produced using Form 990-T sample weights) are (1) Forms 990-T and matching “short” Forms 990-EZ that were part of the integrated samples were excluded from the matched-return analysis (see footnote 6); (2) some organizations filed a Form 990-T, but did not file a Form 990 because their gross receipts were below the \$25,000 Form 990 filing threshold; (3) churches, which are tax-exempt under Internal Revenue Code section 501(c)(3), are not required to file Form 990 or Form 990-EZ, but are required to file Form 990-T if they had unrelated business income; and (4) private foundations, which are tax-exempt under section 501(c)(3), file Form 990-PF, not Form 990; therefore, a Form 990-T filed by a private foundation would not have a matching record in the Form 990 sample.
- [10] In order to shift from a tax concept to a “receipts and expenditures” concept of income and expenses, adjustments were made to develop revised income totals from both tax forms that represented, to the extent possible, the organizations’ actual financial involvement in conducting current tax year (1994) operations, and that were more analogous for comparing total financial activity with unrelated business financial activity. This was accomplished by (1) excluding certain items that were reported for tax purposes and were not current-year income, or were not directly associated with the operation of a business or program, and (2) adding back to income totals (either on Form 990 or Form 990-T, as applicable) certain expense items that were allowed to be subtracted from gross income prior to calculating total income.

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[11] Organizations filing a Form 990-T for 1994 were required to enter at least one, and up to three, industry codes for their principal business activities, based on the amount of gross unrelated business income they generated. If an organization engaged in more than one type of activity, it was instructed to list the code for the largest (primary) unrelated activity (in terms of gross income) first, then the codes for the next two largest activities, in descending order.

[12] Running a simple computerized query against the database of matched records can list cases where Form 990-T unrelated business income was larger than Form 990 total income. It is obvious in these cases that at least some unrelated income was not included on Form 990. However, when total income on Form 990 is larger than unrelated income on the Form 990-T (which is the expected norm), there are no other specific reporting characteristics available for use in a database query that would easily identify

cases where unrelated business income was reported on one return, but not the other. An actual examination of each Form 990/Form 990-T pair of returns would be necessary. (The returns used for this study were those originally filed with the IRS and processed prior to any audit or examination procedures.) Total unrelated business income and its components are required to be entered in Form 990's Part VII, Analysis of Income-Producing Activities, but the reporting has been fairly poor and has proven to be inadequate for research purposes thus far.

[13] 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 1998.

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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

Unrelated Business Income of Nonprofit Organizations, 1994

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 beginning with tax years after June 30, 1992.

Unrelated Business Income of Nonprofit Organizations, 1994

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

[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.....	35,657	5,379,838	35,418	6,506,838	31,339	-1,127,001	-1,769,954	18,594	195,191
401(a).....	988	124,603	988	35,734	925	88,869	-12,886	875	34,325
408(e).....	5,330	30,518	5,289	20,334	5,248	10,184	-4,466	5,043	4,025
501(c)(2).....	182	44,957	178	103,917	175	-58,960	-61,167	*97	*611
501(c)(3).....	9,277	3,119,920	9,267	4,075,056	8,145	-955,136	-1,174,048	2,967	64,695
501(c)(4).....	1,498	249,859	1,498	290,072	1,367	-40,213	-55,065	579	3,888
501(c)(5).....	2,625	193,605	2,579	263,804	2,110	-70,200	-92,271	1,120	5,465
501(c)(6).....	5,962	704,015	5,962	867,016	4,863	-163,002	-217,972	2,023	18,207
501(c)(7).....	6,447	355,059	6,325	364,027	5,780	-8,968	-70,552	4,530	12,927
501(c)(8).....	929	53,789	928	72,481	805	-18,691	-24,666	392	814
501(c)(9).....	653	271,125	640	157,928	420	113,197	-9,550	362	43,403
501(c)(10).....	251	10,620	251	11,986	169	-1,366	-2,581	*108	*219
501(c)(11).....	--	--	--	--	--	--	--	--	--
501(c)(12).....	118	13,551	117	14,192	118	-641	-4,431	63	899
501(c)(13).....	*32	*2,011	*32	*2,025	*11	*-14	*-31	*4	*3
501(c)(14).....	*73	*8,089	*73	*11,075	*73	*-2,986	*-3,456	*61	*70
501(c)(15).....	**	**	**	**	**	**	**	**	**
501(c)(16).....	--	--	--	--	--	--	--	--	--
501(c)(17).....	**	**	**	**	**	**	**	**	**
501(c)(18).....	**	**	**	**	**	**	**	**	**
501(c)(19).....	1,281	110,992	1,281	137,366	1,117	-26,374	-32,239	357	1,051
501(c)(21) ⁵	--	--	--	--	--	--	--	--	--
501(c)(22).....	--	--	--	--	--	--	--	--	--
501(c)(23).....	**	**	**	**	**	**	**	**	**
501(c)(24).....	--	--	--	--	--	--	--	--	--
501(c)(25).....	*6	*12,868	*5	*2,217	*6	*10,651	**	*6	*4,153

*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 \$1.6 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," the environmental 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 \$4.5 million.

⁵ Prepaid legal service funds, described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt beginning with tax years after June 30, 1992.

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

Unrelated Business Income of Nonprofit Organizations, 1994

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

[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.....	35,657	5,379,838	35,418	6,506,838	31,339	-1,127,001	-1,769,954	18,594	195,191
\$1,000 under \$10,001 ⁵	15,646	61,354	15,437	94,286	13,400	-32,932	-50,744	9,589	4,314
\$10,001 under \$100,000 ⁵	13,658	511,823	13,648	746,992	12,194	-235,169	-324,640	6,401	18,438
\$100,000 under \$500,000.....	4,804	1,022,159	4,786	1,403,094	4,337	-380,935	-484,367	2,011	27,956
\$500,000 under \$1,000,000.....	790	550,119	790	702,665	720	-152,546	-204,398	321	16,292
\$1,000,000 under \$5,000,000.....	653	1,286,340	651	1,670,209	593	-383,869	-502,288	232	41,159
\$5,000,000 or more.....	107	1,948,043	106	1,889,593	94	58,450	-203,516	40	87,032

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 \$1.6 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," the environmental 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 \$4.5 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

[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)		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.....	35,657	5,379,838	35,418	6,506,838	31,339	-1,127,001	-1,769,954	18,594	195,191
Deficit.....	12,751	2,347,296	12,751	4,117,250	12,751	-1,769,954	-1,769,954	179	2,901
Zero.....	4,319	570,087	4,319	570,087	--	--	--	31	187
\$1 under \$1,000.....	5,447	46,607	5,447	43,872	5,447	2,735	--	5,329	467
\$1,000 under \$10,000.....	7,997	238,675	7,788	207,801	7,997	30,873	--	7,942	5,323
\$10,000 under \$100,000.....	4,490	569,750	4,481	439,809	4,490	129,940	--	4,463	25,787
\$100,000 under \$500,000.....	521	368,820	504	267,901	521	100,919	--	520	32,987
\$500,000 under \$1,000,000.....	67	101,252	67	57,369	67	43,883	--	66	15,292
\$1,000,000 or more.....	65	1,137,353	62	802,749	65	334,603	--	64	112,247

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 \$1.6 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," the environmental 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 \$4.5 million.

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

Unrelated Business Income of Nonprofit Organizations, 1994

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 Size of Gross UBI

[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 (taxable profit)		Total income tax ³	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total.....	18,588	2,462,455	18,348	1,819,501	18,588	642,953	18,384	192,103
\$1,000 under \$10,001 ⁴	9,675	33,289	9,466	15,476	9,675	17,813	9,564	3,187
\$10,001 under \$100,000 ⁴	6,365	231,972	6,356	142,501	6,365	89,471	6,304	18,110
\$100,000 under \$500,000.....	1,981	412,053	1,964	308,621	1,981	103,432	1,957	27,371
\$500,000 under \$1,000,000.....	310	213,951	310	162,099	310	51,852	308	16,152
\$1,000,000 under \$5,000,000.....	222	429,214	220	310,795	222	118,419	218	40,742
\$5,000,000 or more.....	34	1,141,976	33	880,010	34	261,966	34	86,541

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, cost of sales and services was \$659.2 million.

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," the environmental 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 \$1.9 million.

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.

Unrelated Business Income of Nonprofit Organizations, 1994

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

[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.....	35,657	5,379,838	35,418	6,506,838	31,339	-1,127,001	-1,769,954	18,594	195,191
Agriculture, forestry, and fishing.....	421	19,613	421	54,923	378	-35,310	-36,330	83	247
Mining.....	121	21,691	121	18,578	78	3,113	-4,224	58	2,554
Construction.....	**	**	**	**	**	**	**	**	**
Manufacturing.....	951	161,157	951	213,537	837	-52,379	-65,397	346	4,186
Transportation and public utilities.....	471	94,373	470	145,753	423	-51,379	-54,918	163	1,111
Wholesale trade.....	67	12,965	67	13,116	47	-152	-965	*11	*193
Retail trade.....	3,749	492,495	3,749	645,092	3,400	-152,598	-207,160	1,456	15,416
Services.....	13,949	2,658,065	13,862	3,449,148	11,580	-791,084	-938,412	5,162	41,192
Finance, insurance, and real estate, total.....	12,855	1,850,040	12,745	1,890,335	11,628	-40,294	-448,229	8,588	128,815
Unrelated debt-financed activity, except rental of real estate.....	614	119,081	614	121,212	555	-2,132	-16,989	449	4,694
Investment activities of Code section 501(c)(7), (9), and (17) organizations.....	3,778	378,988	3,722	239,448	3,278	139,540	-11,347	2,969	48,843
Rental of personal property.....	896	39,156	896	62,878	824	-23,722	-27,335	511	559
Passive income activities with controlled organizations.....	434	31,102	429	36,450	406	-5,347	-11,981	345	1,798
Other finance, insurance, and real estate.....	7,133	1,281,713	7,084	1,430,347	6,565	-148,633	-380,577	4,314	72,921
Exploited exempt activities.....	326	46,950	326	55,717	261	-8,767	-12,693	163	811
Not allocable.....	**	**	**	**	**	**	**	**	**

*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 \$1.6 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," the environmental 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 \$4.5 million.

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

Unrelated Business Income of Nonprofit Organizations, 1994

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

[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	35,657	5,379,838	14,147	2,700,302	513	144,612
\$1,000 under \$10,001 ²	15,646	61,354	3,438	11,741	254	562
\$10,001 or more, total ^{2,3}	20,011	5,318,483	10,709	2,688,560	259	144,050
\$10,001 under \$100,000 ²	13,658	511,823	6,735	219,653	101	2,053
\$100,000 under \$500,000.....	4,804	1,022,159	3,039	537,567	96	6,348
\$500,000 under \$1,000,000.....	790	550,119	480	272,464	23	6,772
\$1,000,000 under \$5,000,000.....	653	1,286,340	394	611,203	29	23,614
\$5,000,000 or more.....	107	1,948,043	60	1,047,674	10	105,263

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	78	-242	309	3,644	6,295	134,379
\$1,000 under \$10,001 ²	**	**	**	**	5,333	14,652
\$10,001 or more, total ^{2,3}	**	**	**	**	962	119,726
\$10,001 under \$100,000 ²	*47	*-142	99	394	759	18,040
\$100,000 under \$500,000.....	**	**	**	**	115	9,644
\$500,000 under \$1,000,000.....	5	-28	14	395	24	1,710
\$1,000,000 under \$5,000,000.....	11	-33	23	2,890	48	20,183
\$5,000,000 or more.....	**	**	**	**	16	70,149

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	3,722	120,912	2,358	347,868	5,566	274,450
\$1,000 under \$10,001 ²	1,221	4,638	594	2,515	2,588	8,488
\$10,001 or more, total ^{2,3}	2,500	116,274	1,764	345,353	2,978	265,962
\$10,001 under \$100,000 ²	1,893	37,814	1,115	32,775	1,990	27,676
\$100,000 under \$500,000.....	464	35,192	449	54,276	805	47,896
\$500,000 under \$1,000,000.....	74	18,463	86	30,992	120	36,553
\$1,000,000 under \$5,000,000.....	61	20,417	94	93,203	53	61,752
\$5,000,000 or more.....	8	4,388	20	134,106	10	92,083

Footnotes at end of table.

Unrelated Business Income of Nonprofit Organizations, 1994

Table 6.--Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI--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.....	1,376	45,506	801	89,535	7,582	942,711	6,333	576,161
\$1,000 under \$10,001 ².....	550	1,399	154	933	2,622	11,391	1,475	4,946
\$10,001 or more, total ^{2,3}.....	826	44,106	646	88,603	4,960	931,320	4,858	571,215
\$10,001 under \$100,000 ²	569	6,844	280	4,980	3,270	90,690	3,192	71,046
\$100,000 under \$500,000.....	190	13,961	243	23,641	1,239	183,704	1,236	110,001
\$500,000 under \$1,000,000.....	22	3,375	61	17,387	219	100,563	222	61,473
\$1,000,000 under \$5,000,000.....	36	11,453	54	29,265	200	245,473	176	166,920
\$5,000,000 or more.....	9	8,473	8	13,330	32	310,890	32	161,775

*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 For definitions of the sources of gross unrelated business income, see the Explanation of Selected Terms section of this data release.

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. A total of gross UBI is shown separately for these larger organizations 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.

Unrelated Business Income of Nonprofit Organizations, 1994

Table 7.--Types of Deductions, by Size of Gross Unrelated Business Income (UBI)

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

Size of gross unrelated business income (UBI)	Total number of returns	Total deductions ^{1,2}		Organizations with gross unrelated business income (UBI) of \$10,000 or less ³					
		Number of returns	Amount	Total deductions ^{2,4}		Net operating loss carryover		Specific deduction	
				Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Total.....	35,657	35,418	6,506,838	15,437	94,286	2,782	34,680	10,739	10,208
\$1,000 under \$10,001 ³	15,646	15,437	94,286	15,437	94,286	2,782	34,680	10,739	10,208
\$10,001 under \$100,000 ³	13,658	13,648	746,992	--	--	--	--	--	--
\$100,000 under \$500,000.....	4,804	4,786	1,403,094	--	--	--	--	--	--
\$500,000 under \$1,000,000.....	790	790	702,665	--	--	--	--	--	--
\$1,000,000 under \$5,000,000.....	653	651	1,670,209	--	--	--	--	--	--
\$5,000,000 or more.....	107	106	1,889,593	--	--	--	--	--	--

Size of gross unrelated business income (UBI)	Organizations with gross unrelated business income (UBI) over \$10,000 ³								
	Total deductions ^{2,5}		Deductions directly connected with UBI						
	Number of returns	Amount	Total		Allocable to rental income ⁶		Allocable to unrelated debt-financed income ⁶		Allocable to investment income ^{6,7}
Number of returns			Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total.....	19,982	6,412,553	19,008	6,090,382	1,113	75,893	1,592	359,614	825
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--	--
\$10,001 under \$100,000 ³	13,648	746,992	12,814	721,644	797	22,226	992	34,930	408
\$100,000 under \$500,000.....	4,786	1,403,094	4,697	1,344,438	231	27,094	412	57,153	333
\$500,000 under \$1,000,000.....	790	702,665	767	662,357	39	13,898	80	31,824	61
\$1,000,000 under \$5,000,000.....	651	1,670,209	630	1,586,561	41	10,683	89	105,982	19
\$5,000,000 or more.....	106	1,889,593	100	1,775,384	5	1,993	19	129,725	4

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								
	Allocable to investment income ^{6,7} --Continued	Allocable to income from controlled organizations ⁶		Allocable to exploited exempt activity income except advertising ⁶		Direct advertising costs ⁶		Compensation of officers, directors, and trustees	
Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	
(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)	
Total.....	18,592	338	31,564	556	75,983	4,673	744,270	1,819	34,425
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--	--
\$10,001 under \$100,000 ³	2,828	183	4,007	240	3,355	3,048	79,731	1,047	8,786
\$100,000 under \$500,000.....	5,392	119	10,625	200	19,397	1,193	146,933	573	12,399
\$500,000 under \$1,000,000.....	1,798	12	2,476	58	14,994	211	71,808	94	3,836
\$1,000,000 under \$5,000,000.....	1,726	20	8,163	51	25,839	192	191,483	86	4,217
\$5,000,000 or more.....	6,848	4	6,293	7	12,397	29	254,315	19	5,188

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								
	Salaries and wages		Repairs		Bad debts		Interest		
Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount		
(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)		
Total.....	9,556	887,697	6,520	55,340	809	18,646	2,666	47,368	
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--	
\$10,001 under \$100,000 ³	5,739	100,601	4,044	9,886	300	700	1,480	4,725	
\$100,000 under \$500,000.....	2,889	235,641	1,894	19,457	316	1,597	923	10,535	
\$500,000 under \$1,000,000.....	479	115,559	315	7,547	71	1,477	127	4,830	
\$1,000,000 under \$5,000,000.....	393	242,791	227	10,755	98	7,911	114	21,227	
\$5,000,000 or more.....	56	193,105	40	7,695	23	6,961	22	6,050	

Footnotes at end of table.

Unrelated Business Income of Nonprofit Organizations, 1994

Table 7.--Types of Deductions, by Size of Gross Unrelated Business Income (UBI)--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 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.....	10,416	152,806	6,947	131,825	94	3,423	768	9,182
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--
\$10,001 under \$100,000 ³	6,935	29,149	4,122	18,432	*67	*222	378	419
\$100,000 under \$500,000.....	2,757	56,247	2,125	37,919	} 22	486	270	1,527
\$500,000 under \$1,000,000.....	392	19,914	339	17,447				
\$1,000,000 under \$5,000,000.....	283	20,744	311	37,299	5	2,716	44	1,529
\$5,000,000 or more.....	49	26,752	50	20,728	--	--	12	4,840

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.....	4,192	155,849	5,765	1,430,455	12,817	1,857,450	11,083	322,169
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--
\$10,001 under \$100,000 ³	2,095	5,707	3,558	277,446	8,276	118,495	7,798	25,347
\$100,000 under \$500,000.....	1,466	19,117	1,601	418,541	3,429	264,380	2,511	58,655
\$500,000 under \$1,000,000.....	315	13,567	276	170,840	572	169,673	400	40,309
\$1,000,000 under \$5,000,000.....	268	40,364	289	403,059	467	450,072	320	83,648
\$5,000,000 or more.....	47	77,094	42	160,569	73	854,830	54	114,209

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 expense	
	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.....	9,233	8,906	1,309	22,408	279	121,034	2,132	169,821
\$1,000 under \$10,001 ³	--	--	--	--	--	--	--	--
\$10,001 under \$100,000 ³	6,729	6,448	844	2,009	138	3,048	1,222	13,842
\$100,000 under \$500,000.....	1,961	1,921	341	4,535	87	16,186	634	36,013
\$500,000 under \$1,000,000.....	297	292	58	1,038	26	13,829	125	25,150
\$1,000,000 under \$5,000,000.....	213	212	51	4,669	22	29,156	130	49,611
\$5,000,000 or more.....	33	33	15	10,157	6	58,814	21	45,205

³ 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 \$1.6 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 49 and 52 through 59.

⁴ Excludes \$38.7 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 \$1.5 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.