Unrelated Business Income Tax Returns, 2007

by Jael Jackson

Tax-exempt organizations generally operate for charitable or other beneficial purposes, with most income exempt from tax under the Internal Revenue Code. Tax-exempt organizations are permitted to engage in income-producing activities that are considered to be unrelated to their exempt purposes. However, to prevent potentially unfair competition between tax-exempt organizations and taxable for-profit entities, income derived from these unrelated activities is taxable. An organization that receives $1,000 or more in gross unrelated business income in a tax year is required to file Form 990-T, *Exempt Organization Business Income Tax Return*, which is used to determine the amount of unrelated business taxable income and the associated unrelated business income tax liability.

Between Tax Years 2006 and 2007, gross unrelated business income, the total of all unrelated business income prior to deductions, reported by tax-exempt organizations increased 4 percent. The $11.7 billion in gross unrelated business income reported for Tax Year 2007 was then offset by $10.3 billion in deductions. The resulting net unrelated business taxable income, reported as unrelated business income (less deficit), which totaled $1.4 billion for Tax Year 2007, was 11 percent higher than reported in the previous tax year.

Figure A shows selected financial statistics from Forms 990-T filed for Tax Years 2006 and 2007. After reducing their gross unrelated business income by allowable deductions, only about half of the 45,069 organizations that were required to file Form 990-T reported unrelated business income tax liability for Tax Year 2007. Despite an increase in the number of Form 990-T filers, there was a small decrease in the number of organizations that reported unrelated business taxable income. This decrease in organizations reporting unrelated taxable business income was accompanied by an increase in organizations that reported no taxable unrelated business income. Additionally, there was a 17.2-percent increase in the number of organizations that reported gross unrelated business income of less than $10,000. Tax-exempt organizations reported $598.5 million in unrelated business income tax liability, an 8-percent increase from Tax Year 2006.

Total tax reported on Form 990-T, the sum of unrelated business income tax and certain additional taxes less credits, was $594.1 million. These additional taxes included $8.8 million of alternative minimum tax, $1.7 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and

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Figure A

Unrelated Business Income Tax Returns: Selected Items from Forms 990-T, Exempt Organization Business Income Tax Returns, Tax Years 2006 and 2007

[Money amounts are in thousands of dollars]

Item	2006	2007	Percentage change
	(1)	(2)	(3)
Number of returns, total	**43,520**	**45,069**	**3.6**
With gross unrelated business income of $10,000 or less [1]	17,008	19,938	17.2
With gross unrelated business income over $10,000 [1]	26,512	25,131	-5.2
With unrelated business taxable income	22,191	21,273	-4.1
Without unrelated business taxable income [2]	21,329	23,796	11.6
Gross unrelated business income	**11,271,392**	**11,682,909**	**3.7**
Total deductions [3]	**9,987,940**	**10,254,953**	**2.7**
Unrelated business taxable income (less deficit)	**1,283,452**	**1,427,956**	**11.3**
Unrelated business taxable income	2,176,235	2,316,677	6.5
Deficit	892,783	888,721	-0.5
Unrelated business income tax	**555,736**	**598,568**	**7.7**
Total tax	**556,285**	**594,126**	**6.8**

[1] Organizations with gross unrelated business income (UBI) between $1,000 (the filing threshold) and $10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over $10,000 were required to fill out a more detailed "complete" return.
[2] Includes returns with deficits and returns with equal amounts of gross unrelated business income and total deductions.
[3] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33. 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 is a component of gross unrelated business income (upon which the filing requirement is based). Total cost of sales and services was $2.7 billion for 2006 and $2.6 billion for 2007.
NOTES: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income, total deductions, unrelated business taxable income (less deficit), unrelated business income tax, and total tax.

$0.28 million of "other" taxes.[1] To arrive at the total tax amount, total tax credits were subtracted from the sum of unrelated business income tax plus additional taxes. Total tax credits equaled $15.2 million for Tax Year 2007, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit ($12.0 million), general business credit ($2.3 million), credit for prior-year minimum tax ($0.3 million), and "other" credits ($0.6 million).

Definition of Unrelated Business Income

Unrelated business income is produced from an activity that is conducted on a regular basis and is not directly related to an organization's tax-exempt mission. Income earned by an organization is treated as unrelated business income if it meets two basic requirements. First, the income is derived from a trade or business that is regularly carried on by the organization. Second, the income is earned from a trade or business that is not substantially related to the performance of the organization's exempt purpose or function. Even if profits from such activities are used by tax-exempt organizations to finance their exempt purposes, income that meets these two requirements generally is treated as unrelated business income. However, certain activities are excluded from taxation, such as business activities in which substantially all of the work is performed by volunteer labor, sales of merchandise that the organization received as a gift or contribution, and the operation of certain games of chance, as specified in the Internal Revenue Code (see "gross unrelated business Income" in the *Explanation of Selected Terms* for additional information).

Filing Requirements and Composition of Tax Year 2007 Filers

A variety of tax-exempt organizations are required to file Form 990-T to report unrelated business income and the associated tax. Figure B details the types of organizations that may be required to file Form 990-T by Internal Revenue Code section, organization, and nature of activities. Charitable organizations, which are tax-exempt under section 501(c)(3), are generally the most common Form 990-T filers.

Most tax-exempt organizations with receipts more than $25,000 are required to file an annual Form 990, *Return of Organization Exempt From Income Tax*, or Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax* (used by organizations with annual gross receipts of less than $100,000 and total end-of-year assets of less than $250,000). Private foundations, which are exempt under section 501(c)(3), file the information return Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation*.[2] The composition of Form 990-T filers, by type of tax-exempt organization, type of entity, and size of gross unrelated business income and gross unrelated business taxable income, is shown in Figure C.

Income Information, by Subsection Code

The largest organization type for Tax Year 2007, as classified by the Internal Revenue Code, was 501(c)(3) which represented nearly one-third of Form 990-T filers. In addition to comprising nearly 32 percent of Form 990-T filers, 501(c)(3) charitable organizations accounted for even higher percentages of gross unrelated business income, total unrelated business income tax, and other financial items for Tax Year 2007. Traditional Individual Retirement Arrangements (IRAs), exempt under section 408(e), social and recreational clubs, exempt under section 501(c)(7), and business leagues, chambers of commerce, and other organizations exempt under section 501(c)(6), accounted for 18, 15, and 13 percent of all Tax Year 2007 Forms 990-T filed, respectively.

[1] A membership organization that was tax exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax in cases where it did not notify its members of the entire amount of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures. The proxy tax of $1.7 million used in the total tax computation includes only proxy tax reported by Form 990 T filers with gross unrelated business income greater than the $1,000 filing threshold. Filers that reported gross unrelated business income less than the $1,000 threshold were not eligible for selection into the Statistics of Income (SOI) sample. Therefore, proxy tax reported by organizations that had no unrelated business income or those that had unrelated business income less than the filing threshold is not included.

[2] Churches, which are tax exempt under Internal Revenue Code section 501(c)(3), are not required to apply for exemption unless they desire to obtain an Internal Revenue Service ruling, and they do not have to file a Form 990 information return. However, these churches are required to file Form 990 T if they received $1,000 or more of gross income from business activities that were considered unrelated to their religious purposes. Charitable remainder trusts, a type of Internal Revenue Code section 4947(a)(2) "split-interest trust," were required to report unrelated business income on Form 1041, *Estate and Trust Income Tax Return*, rather than Form 990 T, for tax years before 2007. Beginning with Tax Year 2007, charitable remainder trusts were required to report unrelated business income on Form 4720, *Return of Certain Excise Taxes on Charities and Other Persons under Chapters 41 and 42 of the Internal Revenue Code*. Published statistical reports on charitable and other nonprofit organizations, private foundations, and split-interest trusts are available from the Tax Stats pages of the IRS Web site at http://www.irs.gov/taxstats. Also available on the site in a "snapshot" page that provides data highlights and products.

Figure B

Figure B. 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
220(e)	Archer Medical Savings Accounts (MSA's)	Fiduciary agent for accounts used in conjunction with high-deductible health insurance plans to save funds for future medical expenses
401(a)	Qualified pension, profit-sharing, or stock bonus plans	Fiduciary agent for pension, profit-sharing, or stock bonus plans
408(e)	Traditional Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds
408A	Roth Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds; subject to same rules as traditional IRA's, except contributions are not tax deductible and qualified distributions are tax free
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
(3)	Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster 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	Lodges providing for payment of life, health, accident, or other insurance 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 insurance benefits to members
(10)	Domestic fraternal beneficiary societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members
(11)	Teachers' retirement fund associations	Fiduciary associations 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
501(c)(14)	State-chartered credit unions and mutual insurance or reserve funds	Providing loans to members or providing insurance of, or reserve funds for, shares or deposits in certain banks or loan associations
(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	Providing services to veterans or their dependents; advocacy of veteran's issues; and promotion of patriotism and community service programs
(21)	Black Lung Benefit Trusts	Providing funds to satisfy coal mine operators' 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 multiple-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

Footnotes at end of figure.

Figure B—Continued

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

(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
(26)	State-sponsored high-risk health insurance plans	Providing coverage for medical care on a not-for-profit basis to residents with pre-existing medical conditions that resulted in denied or exorbitantly priced traditional medical care coverage
(27)	State-sponsored workers' compensation reinsurance plans	Pooled employers' funds providing reimbursements to employees for losses arising under workers' compensation acts; also, State-created, -operated, and -controlled organizations providing workers' compensation insurance to employers
529(a)	Qualified State Tuition Plans	State- and agency-maintained plans that allow individuals to purchase credits or certificates, or make contributions to an account, to pay for future educational expenses
530(a)	Coverdell Education Savings Accounts	Fiduciary agent for accounts created for the purpose of paying qualified higher education expenses of a designated beneficiary

NOTES: Corporations that are organized under an Act of Congress, and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation. Prepaid legal service funds, previously described in section 501(c)(20) of the Internal Revenue Code, were no longer tax exempt effective for tax years beginning after June 30, 1992.

Figure D shows financial items for Tax Year 2007, including gross unrelated business income and its components, the ratio of investment income to gross unrelated business income, total deductions, and unrelated business income tax. Charitable organizations accounted for 58 percent of the almost $11.7 billion in gross unrelated business income reported for Tax Year 2007. They claimed 64 percent of total deductions and reported 47 percent of total unrelated business income tax.

Charitable organizations reported 42 percent of total investment income for Tax Year 2007. However, investment income represented only a small percentage, about 26 percent, of gross unrelated business income reported by charitable organizations. Generally, organizations that were organized as tax-exempt trusts derived larger percentages of their gross unrelated business income from investments. For example, traditional IRAs reported more than 90 percent of their gross unrelated business income as investment income.

Income Information, by Entity Type

Tax-exempt organizations' unrelated business taxable income is subject to the same tax rates as income reported by for-profit filers. Generally, organizations that, based on their structures, classify themselves as tax-exempt trusts pay taxes on their unrelated business income at the same rates as estate and trust filers, while all other exempt organizations, which are structured more like corporations, pay taxes at the corporate rate. Nearly 77 percent of all Tax Year 2007 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate. Tax-exempt trusts accounted for the additional 23 percent of Forms 990-T filed for the year, which is a slightly larger percentage than the previous year.

Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of the 10,361 tax-exempt trusts that file Form 990-T. For Tax Year 2007, these organizations represented more than 77 percent of all trusts that filed the return. The remaining 34,708 Tax Year 2007 Form 990-T filers, including the majority of charitable organizations, were primarily organized as corporations. The majority of all organizations, 56 percent, that filed Form 990-T for Tax Year 2007 reported gross unrelated business income of $10,000 or more. However, over half of all organizations that were required to file Form 990-T did not report unrelated business income tax liability after subtracting deductions from gross unrelated business income.

Figure E further illustrates the differences between tax-exempt trusts and corporate filers. The latter group reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business

Figure C

Unrelated Busines Income Tax Returns: Form 990-T Filers, by Gross Unrelated Business Income, Gross Unrelated Business Taxable Income, Subsection Code, and Type of Organization, Tax Year 2007

[Money amounts are in thousands of dollars]

Category	Item	Number of returns	Percentage of total
All 990-T Forms	**All returns**	**45,069**	**100.0**
Type of organization	**Total**	**45,069**	**100.0**
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,312	31.8
	501(c)(4) Civic leagues and social welfare organizations	1,646	3.7
	501(c)(5) Labor, agricultural, and horticultural organizations	2,172	4.8
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,722	12.7
	501(c)(7) Social and recreational clubs	6,596	14.6
	501(c)(19) War veterans' posts or organizations	1,770	3.9
	408(e) Traditional Individual Retirement Arrangements	7,939	17.6
	Other [1]	4,912	10.9
Type of entity	**Total**	**45,069**	**100.0**
	Corporation	34,708	77.0
	Trust	10,361	23.0
Size of gross unrelated business income	**Total**	**45,069**	**100.0**
	With gross unrelated business income of $10,000 or less	19,938	44.2
	With gross unrelated business income over $10,000	25,131	55.8
Unrelated business taxable income	**Total**	**45,069**	**100.0**
	With unrelated business taxable income	21,273	47.2
	Without business taxable income	23,796	52.8

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(19), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A, state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Figure B for additional information on the types of organizations that are required to file Form 990-T.

NOTES: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income and unrelated business taxable income (less deficit).

income tax. These corporate filers reported $9.9 billion in gross unrelated business income, $9.6 billion in total deductions, and $349 million in unrelated business income tax.

While representing less than one quarter of Form 990-T filers, trusts reported higher amounts of total investment income and unrelated business taxable income (less deficit) than their corporate counterparts. Of the $3.1 billion in investment income received by tax-exempt organizations, more than half was reported by trusts. Overall, trusts reported 90 percent of their gross unrelated business income as investment income, compared to less than 15 percent for corporations. More than 78 percent of net unrelated business taxable income that was reported for Tax Year 2007 was attributable to trusts, which reported approximately 42 percent of total unrelated business income tax for Tax Year 2007.

Summary

Tax-exempt organizations reported more than $11 billion in gross unrelated business income for Tax Year 2007. Total unrelated business income tax liability increased by 7.7 percent from Tax Year 2006 to $598.6 million.

Charitable organizations, tax exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2007. These organizations reported 58 percent of all gross unrelated business income for the year, claimed 64 percent of deductions, and accounted for a little less than half of all unrelated business income tax liability.

Nearly 77 percent of all Tax Year 2007 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Filers

Figure D

Unrelated Business Income Tax Returns: Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Subsection Code, Tax Year 2007

[Money amounts are in thousands of dollars]

Item	Subsection Code								
	All	501(c)(3)	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(19)	408(e)	Other [1]
Number of returns	**45,069**	14,312	1,646	2,172	5,722	6,596	1,770	7,939	4,912
Gross unrelated business income	**11,682,909**	6,809,968	547,631	273,407	1,086,862	665,582	169,163	87,160	2,043,136
Total investment income [2]	**3,067,541**	1,275,296	31,615	20,474	41,804	128,558	8,875	84,337	1,476,582
Investment income to gross UBI (Percentage)	**26.3**	18.7	5.8	7.5	3.8	19.3	5.2	96.8	72.3
Total deductions	**10,254,953**	6,536,113	543,685	264,553	1,040,140	589,492	326,234	15,908	938,828
Unrelated business taxable income (less deficit)	**1,427,956**	279,855	3,946	8,854	46,722	76,090	-4,056	71,252	945,293
Unrelated business taxable income	**2,316,677**	903,615	28,999	24,791	109,048	115,292	8,328	72,118	1,054,486
Deficit	**888,721**	623,760	25,053	15,937	62,326	39,202	12,384	866	109,193
Unrelated business income tax	**598,568**	278,673	9,255	6,372	30,558	28,957	1,454	17,871	225,428
Total tax	**594,126**	276,895	8,802	6,373	31,884	27,708	1,449	17,989	223,026

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A, state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Figure B for additional information on the types of organizations that are required to file Form 990-T.

[2] Total investment income includes net capital gain income, combined partnership and S corporation income, unrelated debt-financed income, and investment income of Internal Revenue Code section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily are not taxed, unless the investments were purchased with borrowed funds, i.e. debt-financed.

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

classified as corporations reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax for Tax Year 2007. Tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business taxable income.

Data Sources and Limitations

To report unrelated business income of $1,000 (the filing threshold) or more for Tax Year 2007, Internal Revenue Code section 220(e), 401(a), 408(e), 408A, and 530(a) trusts' required reporting period was Calendar Year 2007, and the Form 990-T filing deadline was April 15, 2008. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2007 and, thus, ending between December 2007 and November 2008, for full-year return filers. The associated required due dates for filing Tax Year 2007 Forms 990-T generally fell between May 2008 to April 2009, but extensions of time to file beyond this period were routinely granted to many organizations. Corresponding to the required filing dates, the SOI Tax Year 2007 study sample was drawn from Forms 990-T processed by IRS throughout Calendar Years 2008 and 2009. Because of the various accounting periods of the organizations filing a Tax Year 2007 return, the financial activities covered in this article span the period January 2007 through November 2008, although 63 percent of Form 990-T filers had Calendar Year 2007 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2007 Form 990-T records posted to the IRS Business Master File system during 2008 and 2009. Generally, returns filed after Calendar Year 2009 were not included in the sample. However, in some cases, late-filed returns that were considered to be large income-size cases (over $500,000 or more of gross unrelated business income), were added after the close of the sampling period. A sample of 7,439 returns was selected from a population of 45,194. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 7,408 returns, and the estimated population size was 45,069. Rejected returns included those that had gross unrelated business income less than the $1,000 filing threshold; were filed for a part-year 2007 accounting period, and a full-year 2007 return was also filed; or were filed for a part-year accounting period that began in a year other than 2007.

Figure E

Unrelated Business Income Tax Returns: Selected Unrelated Business Income Tax Data for Tax-Exempt Corporate and Trust Entities, Tax Year 2007
[Money amounts are in thousands of dollars]

Item	Type of Entity		
	All	Corporation	Trust
	(1)	(2)	(3)
Number of returns	**45,069**	34,708	10,361
Gross unrelated business income	**11,682,909**	9,882,871	1,800,038
Total investment income [1]	**3,067,541**	1,443,069	1,624,472
Investment income to gross UBI ratio (Percentage)	**26.3**	14.6	90.2
Total deductions	**10,254,953**	9,575,530	679,423
Unrelated business taxable income (less deficit)	**1,427,956**	307,341	1,120,615
Unrelated business taxable income	**2,316,677**	1,147,111	1,169,566
Deficit	**888,721**	839,770	48,951
Unrelated business income tax	**598,568**	348,930	249,638
Total tax	**594,126**	348,074	246,052

[1] Total investment income includes capital gain net income, combined partnership and S corporation income, unrelated debt-financed income, and investment was purchased with borrowed funds, i.e. debt-financed.organizations. Other types of tax-exempt organizations' investment income ordinarily is not taxed, unless the investment income of Internal Revenue Code section 501(c)(7),(9), and (17).
NOTES: Detail may not add to totals because of rounding. See the Explanation of Selected Terms section of this article for definitions of gross unrelated business income, total deductions, unrelated business taxable income (less deficit), unrelated business income tax, and total tax.

The Tax Year 2007 Statistics of Income (SOI) Form 990-T study incorporated a two-stage sample design consisting of a stratified random sample and a special “integrated” sample. The stratified random sample was designed to represent the entire population of Form 990-T filers reporting unrelated business income. The integrated sample was designed to gather information on “related” (tax exempt) and “unrelated” (taxable) income and expenses for section 501(c)(3) nonprofit charitable organizations that filed both Form 990 (or Form 990-EZ) and Form 990-T. This integrated sampling program ensured that the SOI sample of Forms 990-T included any unrelated business income tax returns (with gross unrelated business income of $1,000 or more) filed by organizations whose Form 990 or Form 990-EZ information returns were selected for the separate SOI sample of section 501(c)(3) nonprofit charitable organizations. Organizations exempt under other Code sections were not subjected to the integrated sampling program.

The Form 990-T returns were initially divided into strata, based on gross unrelated business income, and selected using Bernoulli sampling into rates ranging form 3.65 percent to 100 percent. Section 501(c)(3) returns not selected randomly were then matched to returns in the Forms 990/990-EZ sample. These linked returns, along with any randomly selected Forms 990-T that also had counterparts in the Forms 990/990-EZ sample, formed the “integrated” Internal Revenue Code section 501(c)(3) portion of the Form 990-T sample.[3]

The information presented in this article was obtained from returns as originally filed with the Internal Revenue Service. The amount of total tax liability originally reported on Forms 990-T, as stated in these statistics, may not necessarily be the amount ultimately paid to IRS. Changes in tax liability assessments can be made after the original return is filed, either by the taxpayer on an amended return, by the IRS after examination, or by litigation. The data were subjected to comprehensive testing and correction procedures in order to improve statistical reliability and validity. In most cases, due to time constraints, 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 F shows CVs for selected financial data estimates derived from the Form 990-T stratified random sample. 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 SOI Sampling Methodology and Data Limitations, located near the back of this issue of the *SOI Bulletin* or at *http://www.irs.gov/taxstats/charitablestats/article/0,,id=97210,00.html*.

[3] For additional information on the Forms 990 and 990 T integrated sample design, see Harte, James M. and Cecelia H. Hilgert, “Enriching One Sample While Improving Another: Linking Differently Stratified Samples of Documents Filed by Exempt Organizations,” Statistics of Income: *Compendium of Studies of Tax-Exempt Organizations, 1989-1998, 2002.*

Figure F

Unrelated Business Income Tax Returns: Coefficients of Variation by Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2007

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions		Unrelated business taxable income (less deficit)		Unrelated business taxable income [2]		Total tax	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All organizations	**0.09**	**0.18**	**0.09**	**0.28**	**0.12**	**1.53**	**0.18**	**0.61**	**23,614.00**	**0.65**
501(c)(2) Title-holding corporations for exempt organizations [1]	26.45	6.24	26.45	8.47	29.00	6.43	32.71	4.70	34.54	2.09
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	2.72	0.31	2.72	0.37	3.06	4.88	4.64	0.90	4.59	0.71
501(c)(4) Civic leagues and social welfare organizations	11.20	1.77	11.20	1.96	12.75	95.77	18.90	6.46	19.01	4.35
501(c)(5) Labor, agricultural, and horticultural organizations	9.56	4.08	9.56	4.43	11.23	39.64	15.36	8.35	15.56	6.79
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5.69	1.56	5.69	1.74	6.83	4.88	9.44	3.96	9.20	3.26
501(c)(7) Social and recreational clubs	5.43	2.62	5.42	3.09	5.90	11.66	6.89	5.54	7.00	5.51
501(c)(8) Fraternal beneficiary societies and associations	15.58	9.92	15.77	10.72	17.27	99.60	2.53	16.31	25.27	10.27
501(c)(9) Voluntary employees' beneficiary associations	13.46	0.78	13.31	1.74	16.56	1.14	17.46	0.88	17.27	1.32
501(c)(10) Domestic fraternal beneficiary societies and associations	26.41	18.92	26.41	20.38	34.15	96.22	63.40	37.97	63.39	24.88
401(a) Qualified pension, profit-sharing, or stock bonus plans	17.73	1.25	17.69	3.35	17.75	1.53	18.27	1.41	18.32	2.16
408(e) Traditional Individual Retirement Arrangements	5.16	7.68	5.17	8.98	5.10	8.88	4.71	8.75	4.75	9.83
Other [3]	7.31	2.43	7.35	2.53	7.97	21.71	12.05	7.43	12.21	6.13

[1] Corporations that are organized under an Act of Congress and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation.

[2] Includes data from returns with positive amounts of unrelated business taxable income only.

[3] This category includes organizations described under sections 501(c)(11)-(19), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); Roth Individual Retirement Arrangements, exempt under section 408A, state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a).

NOTE: For more complete descriptions of the types of tax-exempt organizations filing Form 990-T, by the Internal Revenue Code section describing them, see Figure B of this article.

Explanation of Selected Terms

This section provides definitions to help the reader understand the terms contained in the article and in Tables 1 through 7, found at the end of the article. In some of the following explanations, tax-exempt organizations are cited by the Internal Revenue Code section under which they are described. The various types of tax-exempt organizations subject to the unrelated business income tax provisions are shown in Figure B.

Advertising income—Gross income realized by a tax-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 subscriber base of the periodical developed by producing and distributing the mission-related content of that periodical. Advertising income was reported separately from other types of "exploited exempt activity income." (See the explanation of exploited exempt activity income.) Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported gross advertising income, as well as other types of "exploited exempt activity income," as part of 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 tax-exempt under Internal Revenue Code sections 501(c)(7), (9), and (17)) were not taxed on net gains from the sale, exchange, or other disposition of property. However, capital gain net income 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 Internal Revenue Code sections 1245, 1250, 1252, 1254, and 1255) were considered taxable. Also, any gain or loss passed through from a partnership or S corporation, or any gain or loss on the disposition of S corporation stock by a "qualified tax-exempt" (defined in the explanation of income (less loss) from partnerships and S corporations), was taxed as a capital gain or loss. (See the explanation of Investment Income (Less Loss) for information regarding investment income of section 501(c)(7), (9), and (17) organizations.)

Charitable contributions—To the extent permissible under the Internal Revenue Code, a deduction was allowed for contributions or gifts actually paid within the tax year to, or for the use of, another entity that was a charitable or Governmental organization described in Code section 170(c). A tax-exempt corporation was allowed a deduction for charitable contributions up to 10 percent of its unrelated business taxable income computed without regard to the deduction for contributions. A tax-exempt trust was generally allowed a deduction for charitable contributions under the rules applicable to individual taxpayers, except the limit on the deduction was determined in relation to unrelated business taxable income computed without regard to the contributions deduction, rather than in relation to adjusted gross income. Contributions in excess of the respective corporate or trust limitations may be carried over to the next 5 taxable years, subject to certain rules. The contributions deduction was allowed whether or not the donated income was directly connected with the carrying on of a trade or business.

Cost of sales and services—Cost of sales and services may have included depreciation, salaries and wages, and certain other types of deductible items. For this reason, the total amount shown for some of the separately reported components of total deductions, such as "salaries and wages," may be understated. Cost of sales and services was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income.

Deductions directly connected with unrelated business income—These were deductions allowed in computing net income, if they otherwise qualified as income tax deductions under the Internal Revenue Code and if they had a "proximate and primary" relationship to carrying on an unrelated trade or business. Allowable deductions included those allocable to rental of personal property; those allocable to unrelated debt-financed income; those allocable to 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" (see definition of Income 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 and maintenance; bad debts; interest; taxes and licenses; depreciation (unless deducted elsewhere); depletion; contributions to deferred compensation plans; contributions to employee benefit plans; the "net operating loss deduction"; and "other deductions." Tax-exempt organizations with gross unrelated business income above $10,000 were required to report each deduction component separately. Organizations with gross unrelated business income 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 unrelated business income and those not directly connected, each defined elsewhere in this section), except for two items that were required to be reported separately: the "net operating loss deduction" (directly connected) and the "specific deduction" (not directly connected), both 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 unrelated business income were reported separately, when applicable, only by tax-exempt organizations with gross unrelated business income above $10,000. (See, also, the explanations of Set-asides, Excess exempt expenses, Contributions, 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 expenses 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 one type of commercially exploited exempt activity could not be used to offset income from another type of unrelated business activity, unless both types commercially exploited the same exempt activity. In the case of excess exempt expenses attributable to advertising income, if the expenses attributable to producing and distributing the readership content of a periodical exceeded the circulation income, then the excess of readership costs over circulation income could be used to offset any net gain from advertising (gross advertising income less direct advertising costs), to the extent that it did not result in a loss.

Exploited exempt activity income, except advertising—In some cases, exempt activities create goodwill or other intangibles that are capable of being exploited in a commercial manner. When an organization exploited such an intangible in commercial activities that did not contribute importantly to the accomplishment of an exempt purpose, the income it produced was gross income from an unrelated trade or business. An example of this type of activity would be an exempt scientific organization with an excellent reputation in the field of biological research that exploits its reputation regularly by selling endorsements of laboratory equipment to manufacturers. Endorsing laboratory equipment would not have contributed importantly to the accomplishment of any purpose for which tax exemption was granted to the organization. Accordingly, the income from selling such endorsements is gross unrelated business income. Exploited exempt activity income from advertising was reported separately from other types of exploited exempt activity income (see the explanation of Advertising income). Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported income from exploited exempt activities as part of 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. 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—This was the total gross 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 unrelated business income. The components of gross unrelated business income were gross profit (less loss) from sales and services; capital gain net income; net gain (less loss) from sales of noncapital assets; net capital loss deduction (trusts only); income (less loss) from partnerships and S corporations; rental income; unrelated debt-financed income; investment income (less loss) of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; income (annuities, interest, rents, and royalties) from controlled organizations; "exploited exempt activity" income, except advertising; advertising income; and "other" income (less loss). (For an explanation of these sources of income, see the separate explanations of each component.)

A tax-exempt organization's income was treated as unrelated business income if it was from a trade or business that was regularly carried on by the organization and that 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 activities carried on for the production of income from selling goods or performing services. These activities 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. Soliciting, selling, or publishing commercial advertising, for example, is identified as a trade or business, even though the advertising is published in an exempt organization's periodical that contains editorial material that is related to the organization's exempt purpose.

Income from controlled organizations—When an exempt organization controlled another organization, the entire amount of gross annuities, interest, rents, and royalties (termed "specified payments") received from the controlled organization were included in the gross unrelated business income of the controlling organization. They were included only to the extent that the specified payments were claimed as a deduction from the controlled organization's own unrelated business income (in the case of an exempt controlled organization) or the "equivalent" of unrelated business income (in the case of a nonexempt controlled organization). The equivalent of unrelated business income was computed as if the nonexempt controlled organization were exempt and had the same exempt purpose as the controlling organization. "Control" meant: (a) for a stock corporation, the ownership (by vote or value) of more than 50 percent of the stock; (b) for a partnership, ownership of more than 50 percent of the profits or capital interests; or (c) for any other organization, ownership of more than 50 percent of the beneficial interests. All deductions "directly connected" with a Form 990-T filer's gross controlled-organization income were allowed. The rules for debt-financed property did not apply to passive income (generally, investment income) from controlled organizations. (See the definition of Unrelated debt-financed income.)

Income (less loss) from partnerships and S corporations—If an organization was a partner in any partnership that carried on an unrelated trade or business, this income item included the organization's share of partnership gross unrelated business income less its share of partnership deductions that were directly connected with the unrelated income. If an organization was a "qualified tax-exempt" that held stock in an S corporation, this income item included the income or loss from the stock interest. The stock interest was treated as an unrelated trade or business, and all items of income, loss, or deduction were taken into account in computing unrelated business taxable income. A "qualified tax-exempt" was an organization described in Internal Revenue Code section 401(a) (qualified stock bonus, pension, or profit-sharing plan) or section 501(c)(3), and exempt from tax under section 501(a).

Investment income (less loss)—This income was reported only by organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) and included such income as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-asides.) All gross rents (except those that were exempt-function income) from investment property 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, other than dividends, from a controlled organization 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. (Tax-exempt corporations were not allowed to deduct any excesses of capital losses over capital gains.) Tax-exempt trusts reported the net capital loss deduction on Form 990-T as a component of gross unrelated business income, and it was subtracted when computing total gross unrelated business income.

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 operating loss deduction—The net operating loss carryover or carryback (as described in Internal Revenue Code section 172) was allowed as a deduction (limited to the current-year excess of receipts over deductions, prior to applying the net operating loss deduction) in computing unrelated business taxable income. However, the net operating loss carryover or carryback (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 a specified year for which an organization reported an overall deficit from its unrelated trade or business activities. The net operating loss deduction statistics in this article represent only net operating loss carryovers from prior years because carrybacks from future years would be reported in a later year on an amended return, not on the return as initially filed (which served as the basis for the statistics).

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

Other income (less loss)—This included all types of unrelated business income that were not specifically required to be reported elsewhere on the tax return. Examples are insurance benefit 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 government tax payments, if the payments were previously reported as a deduction.

Proxy tax—This was a tax on certain nondeductible lobbying and political expenditures. A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax if the organization did not notify its members of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures, or if the notice did not include the entire amount of dues that was allocated. The proxy tax was computed as 35 percent of the aggregate amount of nondeductible lobbying expenditures that was not included in the notices sent to the organization's members. The proxy tax was required to be reported on Form 990-T and was included in total tax; however, there was no connection between the proxy tax and the taxation of income from an organization's unrelated business activities.

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 described above, gross rents from real property were generally excluded in computing unrelated business taxable income. In addition, gross rents from personal property that did not exceed 10 percent of the total rents from all leased property were not included in gross unrelated business income. Any rents not covered by the explanation of "rental income" had to be considered in terms of their taxability as unrelated business income from controlled organizations or unrelated debt-financed income, in that order. For organizations tax-exempt under sections 501(c)(7), (9), and (17), rental income included all gross rents (except those that were exempt-function income), with no exclusions. (See explanations of Income from controlled organizations and Unrelated debt-financed income.)

Set-asides—This deduction from investment income was allowed to social and recreational 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)). 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 $1,000 or the amount of positive taxable income, whichever was less. The amount deducted was considered "not directly connected" with gross unrelated business income and was allowed to all organizations that had positive taxable income after all other types of deductions were taken. This deduction provided the equivalent benefit of the $1,000 gross unrelated business income filing threshold under which some organizations were exempted from filing a return and paying the unrelated business income tax. (See, also, the explanation of Deductions not directly connected with unrelated business income.)

Total Deductions—Total deductions included both deductions reported on the main part of Form 990-T and expense items reported on any of six supporting schedules, which were also part of the tax form. It excluded cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, which is a component of gross unrelated business income. (See the explanation of Cost of sales and services.)

Total tax—Total 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 and political expenditures, the "alternative minimum tax," and "other" taxes.

Unrelated business activity—A business activity is considered unrelated if it does not contribute importantly (other than the production of funds) to accomplishing an organization's charitable, educational, or other purpose that is the basis for the organization's tax exemption. In determining whether activities contribute importantly to the accomplishment of an exempt purpose, the size, extent, and nature of the activities involved must be considered in relation to the size, extent, and nature of the exempt function that they intend to serve. To the extent an activity is conducted on a scale larger than is reasonably necessary to perform an exempt purpose, it does not contribute importantly to the accomplishment of the exempt purpose. The part of the activity that is more than needed to accomplish the exempt purpose is an unrelated trade or business. Whether an activity contributes importantly depends in each case on the facts involved. See IRS Publication 598, *Tax on Unrelated Business Income of Exempt Organizations*, for additional information on unrelated business income and tax.

The following is a case example from Publication 598. An American folk art museum operates a shop in the museum that sells reproductions of works in the museum's own collection and also works from the collections of other art museums. In addition, the museum sells souvenir items of the city where the museum is located. The sale of the reproductions, regardless of which museum houses the original works, is considered to be "related" because it contributes importantly to the achievement of the museum's exempt educational purpose by making works of art familiar to a broader segment of the public, thereby enhancing the public's understanding and appreciation of art. However, the sale of souvenir items depicting the city in which the museum is located is considered to be "unrelated" because it has no causal relationship to art or to artistic endeavor, and, therefore, does not contribute importantly to the accomplishment of the museum's exempt educational purposes.

Unrelated business income—See definition of gross unrelated business income.

Unrelated business income tax—This was the tax imposed on unrelated business taxable income. It was determined based on the regular corporate or trust income tax rates that were in effect for the 2007 Tax Year, as shown in the following schedules. Trusts that were eligible for the maximum 28 percent tax rate on capital gain net income figured their tax based on Schedule D of Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

Tax Rates for Corporations

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	0	35%	0

Tax Rates for Trusts

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$2,150	+ 15%	$ 0
2,150	5,000	$322.50 + 25%	2,150
5,000	7,650	1,035.50 + 28%	5,000
7,650	10,450	1,777.00 + 33%	7,650
10,450	–	2,701 + 35%	10,450

Unrelated business taxable income (less deficit) (referenced as Net unrelated business taxable income)—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 (unrelated business taxable income), negative (deficit), or zero. Taxable income 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.)

Unrelated debt-financed income—Gross income from investment property for which acquisition indebtedness was outstanding at any time during the tax year was subject to the unrelated business income tax. The percentage of investment income to be included as gross unrelated business income was proportional to the ratio of average acquisition indebtedness to the average adjusted basis of the property. Various types of passive income (generally, investment income) were considered to be unrelated debt-financed income, but only if the income arose from property acquired or improved with borrowed funds and if the production of income was unrelated to the organization's tax-exempt purpose. When any property held for the production of income by an organization was disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding at any time during the 12-month period prior to the date of disposition, the property was considered debt-financed property, and the gain was treated as unrelated debt-financed income. Income from debt-financed property did not include rents from personal property (e.g., computers or furniture) leased with real property, certain passive income (generally, investment 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 i ncome (less loss)." All other organizations reported debt-financed income separately.

Table 1. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2007

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

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]	
			Number of returns	Amount
	(1)	(2)	(3)	(4)
All organizations	**45,069**	**11,682,909**	**44,877**	**10,254,953**
220(e) Archer Medical Savings Accounts	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	745	470,945	723	126,433
408(e) Traditional Individual Retirement Arrangements	7,939	87,160	7,900	15,908
408(A) Roth Individual Retirement Arrangements	d	d	d	d
501(c)(2) Title-holding corporations for exempt organizations [6]	340	57,852	340	40,901
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,312	6,809,968	14,309	6,536,113
501(c)(4) Civic leagues and social welfare organizations	1,646	547,631	1,646	543,685
501(c)(5) Labor, agricultural, and horticultural organizations	2,172	273,407	2,172	264,553
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,722	1,086,862	5,722	1,040,140
501(c)(7) Social and recreational clubs	6,596	665,582	6,596	589,492
501(c)(8) Fraternal beneficiary societies and associations	994	63,239	962	61,849
501(c)(9) Voluntary employees' beneficiary associations	705	1,031,660	673	422,320
501(c)(10) Domestic fraternal beneficiary societies and associations	280	21,231	280	22,363
501(c)(11) Teachers' retirement fund associations	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	268	83,420	268	77,510
501(c)(13) Cemetery companies	121	2,699	121	2,821
501(c)(14) State-chartered credit unions	1,390	298,678	1,359	326,234
501(c)(15) Mutual insurance companies	0	0	0	0
501(c)(16) Corporations organized to finance crop operations	0	0	0	0
501(c)(17) Supplemental unemployment benefit trusts	0	0	0	0
501(c)(18) Employee-funded pension trusts	0	0	0	0
501(c)(19) War veterans' posts or organizations	1,770	169,163	1,738	173,219
501(c)(21) Black Lung Benefit Trusts [7]	0	0	0	0
501(c)(22) Withdrawal liability payment funds	0	0	0	0
501(c)(23) Veterans' associations founded before 1880	0	0	0	0
501(c)(24) Trusts described in section 4049 of Employee Retirement Income Security Act	0	0	0	0
501(c)(25) Title-holding companies with no more than 35 shareholders	0	0	0	0
501(c)(26) High-risk health insurance plans	0	0	0	0
501(c)(27) Workers' compensation reinsurance plans	d	d	d	d
529(a) Qualified State Tuition Plans	0	0	0	0
530(a) Coverdell Education Savings Accounts	0	0	0	0
Not Allocable	d	d	d	d

Footnotes at end of table.

Table 1. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2007—Continued

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

Type of tax-exempt organization, as defined by Internal Revenue Code section	Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(5)	(6)	(7)	(8)	(9)	(10)
All organizations	**36,635**	**1,427,956**	**23,796**	**2,316,677**	**23,614**	**594,126**
220(e) Archer Medical Savings Accounts	0	0	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	726	344,512	695	350,919	693	71,724
408(e) Traditional Individual Retirement Arrangements	7,586	71,252	7,394	72,118	7,298	17,989
408(A) Roth Individual Retirement Arrangements	d	d	d	d	d	d
501(c)(2) Title-holding corporations for exempt organizations [6]	289	16,951	231	20,976	212	6,744
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	11,291	273,855	5,741	903,615	5,730	276,895
501(c)(4) Civic leagues and social welfare organizations	1,255	3,946	562	28,999	559	8,802
501(c)(5) Labor, agricultural, and horticultural organizations	1,608	8,854	839	24,791	821	6,373
501(c)(6) Business leagues, chambers of commerce, and real estate boards	3,875	46,722	1,982	109,048	2,091	31,884
501(c)(7) Social and recreational clubs	5,538	76,090	4,048	115,292	3,960	27,708
501(c)(8) Fraternal beneficiary societies and associations	806	1,391	429	5,954	429	1,419
501(c)(9) Voluntary employees' beneficiary associations	478	609,340	448	643,832	415	134,392
501(c)(10) Domestic fraternal beneficiary societies and associations	171	-1,131	40	774	40	177
501(c)(11) Teachers' retirement fund associations	0	0	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	187	5,910	108	8,395	108	2,381
501(c)(13) Cemetery companies	115	#REF!	96	496	96	74
501(c)(14) State-chartered credit unions	1,279	-27,555	494	21,142	490	5,559
501(c)(15) Mutual insurance companies	0	0	0	0	0	0
501(c)(16) Corporations organized to finance crop operations	0	0	0	0	0	0
501(c)(17) Supplemental unemployment benefit trusts	0	0	0	0	0	0
501(c)(18) Employee-funded pension trusts	0	0	0	0	0	0
501(c)(19) War veterans' posts or organizations	1,398	-4,056	655	8,328	638	1,449
501(c)(21) Black Lung Benefit Trusts [7]	0	0	0	0	0	0
501(c)(22) Withdrawal liability payment funds	0	0	0	0	0	0
501(c)(23) Veterans' associations founded before 1880	0	0	0	0	0	0
501(c)(24) Trusts described in section 4049 of Employee Retretment Income Security Act	0	0	0	0	0	0
501(c)(25) Title-holding companies with no more than 35 shareholders	0	0	0	0	0	0
501(c)(26) High-risk health insurance plans	0	0	0	0	0	0
501(c)(27) Workers' compensation reinsurance plans	d	d	d	d	d	d
529(a) Qualified State Tuition Plans	0	0	0	0	0	0
530(a) Coverdell Education Savings Accounts	0	0	0	0	0	0
Not Allocable	d	d	d	d	d	d

d–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 $2.6 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 8,434 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total 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 the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax, but 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 above the $1,000 filing threshold, total proxy tax was $1.7 million.

[6] Corporations that are organized under an Act of Congress and are instrumentalities of the United States, described in section 501(c)(1) of the Internal Revenue Code, are not subject to unrelated business income taxation.

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

NOTE: Detail may not add to totals because of rounding. For more complete descriptions of the types of tax-exempt organizations filing Form 990-T, by the Internal Revenue Code section describing them, see the Appendix to the most recent Unrelated Business Income Tax (UBIT) article listed under Publications and Papers on the Exempt Organizations' UBIT Statistics page of the IRS website (http://www.irs.gov/taxstats/charitablestats/article/0,,id=97210,00.html).

Table 2. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Size of Gross UBI, Tax Year 2007

[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]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	**45,069**	**11,682,909**	**44,877**	**10,254,953**	**36,635**	**1,427,956**	**23,796**	**2,316,677**	**23,614**	**594,126**
$1,000 under $10,001 [6]	19,938	81,715	19,777	76,656	16,569	5,059	12,620	28,742	12,422	4,849
$10,001 under $100,000 [6]	14,927	653,653	14,907	614,365	11,857	39,289	6,744	148,190	6,742	28,486
$100,000 under $500,000	6,932	1,529,412	6,923	1,467,400	5,582	62,012	2,959	245,708	2,927	63,327
$500,000 under $1,000,000	1,467	1,019,230	1,466	961,450	1,209	57,780	696	161,440	696	47,114
$1,000,000 under $5,000,000	1,431	2,990,724	1,430	2,767,664	1,125	223,059	607	511,844	636	150,498
$5,000,000 or more	374	5,408,175	373	4,367,418	293	1,040,757	171	1,220,754	191	299,852

[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 $2.6 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 8,434 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total 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 the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total 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 above the $1,000 filing threshold, total proxy tax was $1.7 million.

[6] 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 (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). 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. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), and Total Tax, by Size of Unrelated Business Taxable Income or Deficit, Tax Year 2007

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

Size of unrelated business taxable income or deficit	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Unrelated business taxable income (less deficit)		Total tax [3]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	**45,069**	**11,682,909**	**44,877**	**10,254,953**	**36,635**	**1,427,956**	**23,614**	**594,126**
Deficit	12,838	3,781,222	12,838	4,669,944	12,838	-888,721	34	1,308
Zero [4]	8,434	2,550,770	8,434	2,550,770	[4] 0	[4] 0	185	3,332
$1 under $1,000	5,359	40,939	5,359	38,575	5,359	2,365	5,204	343
$1,000 under $10,000	9,972	283,093	9,812	244,625	9,972	38,468	9,839	6,214
$10,000 under $100,000	6,532	1,012,406	6,512	791,879	6,532	220,527	6,437	41,162
$100,000 under $500,000	1,366	936,651	1,357	644,667	1,366	291,984	1,356	86,669
$500,000 under $1,000,000	243	449,787	242	277,479	243	172,307	240	51,424
$1,000,000 or more	324	2,628,041	322	1,037,015	324	1,591,026	319	403,673

[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 $2.6 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Total 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 the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total 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 above the $1,000 filing threshold, total proxy tax was $1.7 million.

[4] The Zero category includes 8,434 returns with equal amounts of gross unrelated business income and total deductions.

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

Table 4. Unrelated Business Income Tax Returns: Returns with Positive Unrelated Business Taxable Income: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Type of Entity and Size

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

Type of entity and size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Unrelated business taxable income [4]	Total tax [3]	
			Number of returns	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL ENTITIES							
Total	**23,796**	**5,350,917**	**23,604**	**3,034,240**	**2,316,677**	**23,395**	**589,485**
$1,000 under $10,001 [4]	12,620	46,732	12,460	17,991	28,742	12,389	4,571
$10,001 under $100,000 [4]	6,744	291,738	6,723	143,548	148,190	6,685	28,076
$100,000 under $500,000	2,959	667,703	2,950	421,996	245,708	2,871	63,148
$500,000 under $1,000,000	696	483,745	695	322,306	161,440	682	46,981
$1,000,000 under $5,000,000	607	1,259,937	606	748,093	511,844	600	150,146
$5,000,000 or more	171	2,601,061	170	1,380,307	1,220,754	167	296,564
TAX-EXEMPT CORPORATIONS							
Total	**14,567**	**3,901,417**	**14,468**	**2,754,306**	**1,147,111**	**14,331**	**343,557**
$1,000 under $10,001 [4]	5,375	25,458	5,278	9,862	15,596	5,304	2,340
$10,001 under $100,000 [4]	5,400	249,319	5,398	140,764	108,555	5,342	17,108
$100,000 under $500,000	2,575	577,958	2,574	403,940	174,018	2,488	43,855
$500,000 under $1,000,000	611	422,515	611	310,905	111,610	598	34,477
$1,000,000 under $5,000,000	484	992,323	484	686,768	305,555	479	100,371
$5,000,000 or more	123	1,633,843	123	1,202,066	431,777	121	145,406
TAX-EXEMPT TRUSTS							
Total	**9,229**	**1,449,500**	**9,135**	**279,934**	**1,169,566**	**9,064**	**245,928**
$1,000 under $10,001 [4]	7,246	21,274	7,181	8,128	13,146	7,085	2,231
$10,001 under $100,000 [4]	1,344	42,419	1,325	2,784	39,634	1,344	10,967
$100,000 under $500,000	384	89,745	376	18,056	71,689	384	19,293
$500,000 under $1,000,000	85	61,230	84	11,400	49,830	84	12,504
$1,000,000 under $5,000,000	123	267,614	122	61,325	206,289	121	49,775
$5,000,000 or more	48	967,219	47	178,241	788,978	46	151,158

[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 positive unrelated business taxable income, cost of sales and services was $8.7 million, 99 percent of which was attributable to tax-exempt corporations.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Total 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 the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total 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 posititve unrelated business taxable income, total proxy tax was $0.5 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 (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below $1,000 were not required to file Form 990-T.

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

Table 5. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Primary Unrelated Business Activity or Industrial

[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]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All activities and groupings	**45,069**	**11,682,909**	**44,877**	**10,254,953**	**36,635**	**1,427,956**	**23,796**	**2,316,677**	**23,614**	**594,126**
Agriculture, forestry, hunting, and fishing	143	44,851	143	18,950	134	25,901	57	28,976	57	9,887
Mining	361	49,233	361	24,207	335	25,026	333	25,153	301	5,841
Utilities	d	d	d	d	d	d	d	d	d	d
Construction	83	46,313	83	42,439	79	3,874	77	4,194	77	1,325
Manufacturing	183	95,784	165	54,162	175	41,622	160	49,028	160	16,213
Wholesale trade	73	33,308	73	12,330	73	20,978	57	21,897	57	5,964
Retail trade	1,421	837,352	1,421	853,952	1,195	-16,600	469	52,211	473	16,403
Transportation and warehousing	30	20,089	30	11,731	30	8,358	* 6	* 9,922	* 6	* 3,362
Information	765	219,683	765	212,052	562	7,631	212	22,492	213	7,371
Finance and insurance, total	16,757	3,109,131	16,617	1,781,001	14,920	1,328,129	13,155	1,492,012	12,959	351,157
Unrelated debt-financed activities, other than rental of real estate	1,523	417,252	1,516	136,098	1,414	281,154	1,322	297,294	1,321	85,812
Investment activities of Code section 501(c)(7), (9), and (17) organizations [6]	3,893	1,185,742	3,861	540,458	3,160	645,283	2,900	679,332	2,817	142,601
Passive income activities with controlled organizations	392	224,707	392	181,986	337	42,721	285	52,249	269	10,733
Other finance and insurance	10,949	1,281,430	10,848	922,459	10,009	358,971	8,648	463,137	8,552	112,011
Real estate and rental and leasing, total	7,051	1,061,623	7,049	1,006,845	6,138	54,777	3,352	190,772	3,321	54,072
Rental of personal property	397	51,025	396	55,610	359	-4,586	156	5,817	157	1,667
Other real estate and rental and leasing	6,654	1,010,598	6,653	951,235	5,779	59,363	3,196	184,955	3,164	52,405
Professional, scientific, and technical services	8,649	2,130,697	8,649	2,127,865	5,448	2,832	2,543	147,592	2,633	43,796
Management of companies and enterprises	28	26,022	28	4,142	24	21,879	21	22,077	21	4,778
Administrative and support and waste management and remediation services	853	491,183	853	504,828	631	-13,645	260	23,342	265	7,416
Educational services	53	60,566	53	68,703	51	-8,137	* 4	* 203	* 4	* 18
Healthcare and social assistance	1,034	1,816,547	1,034	1,817,460	847	-913	434	131,962	465	43,591
Arts, entertainment, and recreation	4,143	768,838	4,143	818,343	3,169	-49,504	1,399	36,723	1,376	8,116
Accommodation and food services	2,510	651,440	2,478	680,130	2,063	-28,690	812	35,508	780	9,148
Other services	624	122,151	624	126,663	502	-4,512	281	8,326	282	1,944
Exploited exempt activities	256	82,933	256	75,828	209	7,105	143	11,392	143	3,329
Not allocable	d	d	d	d	d	d	d	d	d	d

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

d = Data were deleted to prevent disclosure of individual taxpayer data. However, the 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 $2.6 billion.

[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.

[3] Excludes data from 8,434 returns with equal amounts of gross UBI and total deductions.

[4] Includes data from returns with positive amounts of unrelated business taxable income only.

[5] Total 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 the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total 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 above the $1,000 filing threshold, total proxy tax was $1.7 million.

[6] Section 501(c)(7) organizations are social and recreational clubs; section 501(c)(9) organizations are voluntary employees' beneficiary associations; and section 501(c)(17) organizations are supplemental unemployment benefit trusts. See Table 1 for separate data on each of these organizations.

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

Table 6. Unrelated Business Income Tax Returns: Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2006

[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): Gross profit (less loss) from sales and services		Sources of gross unrelated business income (UBI): Capital gain net income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**45,069**	**11,682,909**	**15,842**	**5,428,138**	**3,623**	**1,106,889**
$1,000 under $10,001 [1]	19,938	81,715	3,770	16,877	1,871	6,613
$10,001 or more, total [1]	**25,131**	**11,601,194**	**12,073**	**5,411,261**	**1,752**	**1,100,276**
$10,001 under $100,000	14,927	653,653	6,060	237,336	953	26,453
$100,000 under $500,000	6,932	1,529,412	3,972	741,487	474	71,866
$500,000 under $1,000,000	1,467	1,019,230	928	517,404	96	53,005
$1,000,000 under $5,000,000	1,431	2,990,724	872	1,485,818	154	182,287
$5,000,000 or more	374	5,408,175	241	2,429,216	75	766,665

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued: Net capital loss (trusts only)		Net gain (less loss), sales of noncapital assets [2]		Income (less loss) from partnerships and S corporations	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(7)	(8)	(9)	(10)	(11)	(12)
Total	**47**	**76**	**306**	**52,399**	**11,164**	**708,670**
$1,000 under $10,001 [1]	0	0	97	216	7,508	16,027
$10,001 or more, total [1]	**47**	**76**	**209**	**52,182**	**3,656**	**692,642**
$10,001 under $100,000	**30	**27	**139	**46,199	2,225	53,828
$100,000 under $500,000	**	**	**	**	749	71,199
$500,000 under $1,000,000	* 5	* 14	31	2,026	224	45,636
$1,000,000 under $5,000,000	12	36	39	3,957	312	176,524
$5,000,000 or more	**	**	**	**	146	345,455

Footnotes at end of table.

Table 6. Unrelated Business Income Tax Returns: Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2006—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)—continued					
	Rental income [3]		Unrelated debt-financed income		Investment income (less loss) [4]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(13)	(14)	(15)	(16)	(17)	(18)
Total	**4,197**	**282,578**	**3,596**	**539,246**	**5,682**	**712,736**
$1,000 under $10,001 [1]	1,241	6,273	1,132	5,703	2,822	10,291
$10,001 or more, total [1]	**2,956**	**276,304**	**2,464**	**533,544**	**2,859**	**702,444**
$10,001 under $100,000	1,973	61,350	1,399	44,078	1,349	31,490
$100,000 under $500,000	670	64,362	710	106,995	1,031	72,525
$500,000 under $1,000,000	141	38,650	156	66,131	265	43,836
$1,000,000 under $5,000,000	135	77,580	155	150,740	178	199,516
$5,000,000 or more	37	34,362	44	165,600	36	355,077

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued							
	Income from controlled organizations [5]		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	**873**	**102,421**	**916**	**211,583**	**8,068**	**1,477,093**	**6,149**	**1,061,233**
$1,000 under $10,001 [1]	235	637	172	1,185	2,889	13,158	1,618	4,736
$10,001 or more, total [1]	**638**	**101,783**	**744**	**210,398**	**5,179**	**1,463,934**	**4,531**	**1,056,497**
$10,001 under $100,000	341	11,901	296	8,777	3,077	105,786	2,434	71,903
$100,000 under $500,000	167	18,992	241	22,426	1,394	230,380	1,419	124,513
$500,000 under $1,000,000	36	8,014	82	29,874	295	138,487	281	76,180
$1,000,000 under $5,000,000	71	37,648	101	81,450	342	398,762	304	196,476
$5,000,000 or more	23	25,228	24	67,871	71	590,519	93	587,425

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

** Data in adjacent size classes are combined to avoid disclosure of information about specific taxpayers.

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

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

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

[4] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only. See Table 1 for separate data on each of these organizations.

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

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

Table 7. Unrelated Business Income Tax Returns: Types of Deductions by Size of Gross Unrelated Business Income (UBI), Tax Year 2006

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

Item	Size of gross unrelated business income						
	All		$1,000 under $10,001 [3]		$10,001 under $100,000 [3]		$100,000 under $500,000
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Number of returns	**45,069**	**N/A**	**19,938**	**N/A**	**14,927**	**N/A**	**6,932**
Total deductions	**44,877**	**10,254,953**	**19,777**	**76,656**	**14,907**	**614,365**	**6,923**
Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]							
Total deductions [2,4]	**19,777**	**76,656**	**19,777**	**76,656**	**N/A**	**N/A**	**N/A**
Net operating loss deduction	1,303	2,529	1,303	2,529	N/A	N/A	N/A
Specific deduction	13,727	13,095	13,727	13,095	N/A	N/A	N/A
Organizations with gross unrelated business income (UBI) of $10,001 or more [3]							
Total deductions [2,5]	**25,099**	**10,178,297**	**N/A**	**N/A**	**14,907**	**614,365**	**6,923**
Deductions directly connected with UBI	**22,617**	**9,374,419**	**N/A**	**N/A**	**12,919**	**576,961**	**6,568**
Allocable to rental income [6]	1,594	187,668	N/A	N/A	1,037	33,692	350
Allocable to unrelated debt-financed income [6]	2,257	537,171	N/A	N/A	1,270	55,837	659
Allocable to investment income [6,7]	968	39,399	N/A	N/A	294	5,016	393
Allocable to income from controlled organizations [6]	397	80,076	N/A	N/A	231	8,112	73
Allocable to exploited exempt activity income, except advertising [6]	622	164,946	N/A	N/A	259	9,719	177
Direct advertising costs [6]	4,747	1,034,924	N/A	N/A	2,816	77,349	1,263
Compensation of officers, directors, and trustees	1,941	60,292	N/A	N/A	817	9,094	761
Salaries and wages	10,308	1,852,559	N/A	N/A	4,791	111,626	3,674
Repairs and maintenance	7,449	136,944	N/A	N/A	3,544	14,603	2,709
Bad debts	906	98,454	N/A	N/A	163	46	389
Interest	2,841	110,643	N/A	N/A	1,227	12,968	1,078
Taxes and licenses paid deduction	10,995	228,694	N/A	N/A	5,573	22,116	3,761
Depreciation	7,581	258,325	N/A	N/A	3,595	20,942	2,638
Depletion	133	6,228	N/A	N/A	110	654	* 7
Contributions to deferred compensation plans	1,230	15,222	N/A	N/A	371	574	531
Contributions to employee benefit programs	5,214	298,767	N/A	N/A	1,818	8,526	2,079
Net operating loss deduction	3,382	305,029	N/A	N/A	1,781	19,266	1,035
Other deductions	25,132	3,959,076	N/A	N/A	14,927	166,822	6,932
Deductions not directly connected with UBI	14,014	803,878	**N/A**	**N/A**	**8,470**	**37,404**	**3,715**
Specific deduction	11,820	11,395	N/A	N/A	7,268	6,947	3,084
Charitable contributions	2,460	110,586	N/A	N/A	**1,426	**6,663	633
Set-asides [7]	265	318,747	N/A	N/A	**	**	122
Excess exempt-activity expenses [8]	2,408	363,150	N/A	N/A	1,253	23,793	722

Footnotes at end of table.

Table 7. Unrelated Business Income Tax Returns: Types of Deductions by Size of Gross Unrelated Business Income (UBI), Tax Year 2006—Continued

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

Item	Size of gross unrelated business income—continued						
	$100,000 under $500,000	$500,000 under $1,000,000		$1,000,000 under $5,000,000		$5,000,000 or more	
	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Number of returns	**N/A**	**1,467**	**N/A**	**1,431**	**N/A**	**374**	**N/A**
Total deductions	**1,467,400**	**1,466**	**961,450**	**1,430**	**2,767,664**	**373**	**4,367,418**
Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]							
Total deductions [2,4]	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
Net operating loss deduction	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Specific deduction	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Organizations with gross unrelated business income (UBI) of $10,001 or more [3]							
Total deductions [2,5]	**1,467,400**	**1,466**	**961,450**	**1,430**	**2,767,664**	**373**	**4,367,418**
Deductions directly connected with UBI	**1,376,006**	**1,405**	**909,656**	**1,369**	**2,543,773**	**355**	**3,968,022**
Allocable to rental income [6]	42,647	91	31,706	87	62,278	30	17,345
Allocable to unrelated debt-financed income [6]	109,463	143	62,992	146	151,336	39	157,543
Allocable to investment income [6,7]	6,076	162	5,262	109	14,816	11	8,229
Allocable to income from controlled organizations [6]	11,544	22	6,309	53	31,224	18	22,886
Allocable to exploited exempt activity income, except advertising [6]	16,106	74	24,661	91	64,060	22	50,401
Direct advertising costs [6]	164,474	276	106,998	325	264,727	67	421,375
Compensation of officers, directors, and trustees	17,267	169	8,163	145	11,980	48	13,788
Salaries and wages	327,326	834	208,379	788	550,552	220	654,677
Repairs and maintenance	32,209	548	15,169	504	35,083	143	39,881
Bad debts	2,777	123	2,557	166	14,914	65	78,160
Interest	19,801	262	13,515	204	29,404	71	34,954
Taxes and licenses paid deduction	57,973	750	28,679	701	46,552	210	73,374
Depreciation	53,060	580	30,455	589	77,046	179	76,822
Depletion	* 128	* 6	* 433	* 5	* 760	* 6	* 4,253
Contributions to deferred compensation plans	1,824	178	1,635	126	6,436	24	4,753
Contributions to employee benefit programs	29,837	549	26,030	589	118,451	180	115,923
Net operating loss deduction	40,905	212	22,802	271	69,864	83	152,192
Other deductions	442,589	1,467	313,909	1,431	994,290	374	2,041,465
Deductions not directly connected with UBI	**91,394**	**840**	**51,794**	**768**	**223,891**	**221**	**399,395**
Specific deduction	2,991	697	688	602	601	169	169
Charitable contributions	10,936	**196	**20,634	189	21,035	96	66,886
Set-asides [7]	22,527	**	**	50	90,434	14	190,218
Excess exempt-activity expenses [8]	54,940	168	30,473	210	111,822	55	142,123

* Estimate should be used with caution because of the small number of sample returns on which it is based.
** Data in adjacent size classes are combined to avoid disclosure of information about specific taxpayers.
N/A–Not applicable.
[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 $2.6 billion.
[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.
[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 deduction, which all organizations reported separately). Organizations with gross UBI over $10,000 were required to report each expense and deduction item separately, as shown in columns 14 through 45, 48, 49, and 54 through 59.
[4] Excludes $76.2 million of cost of sales and services reported by organizations with gross UBI of $10,000 or less. See footnote 1 for explanation.
[5] Excludes $2.5 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) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only. See Table 1 for separate data on each of these organizations.
[8] Includes excess exempt-activity expenses from Form 990-T, Schedule I, and excess readership costs from Form 990-T, Schedule J.
NOTE: Detail may not add to totals because of rounding.