Unrelated Business Income Tax Returns, 2008

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 (IRC). Tax-exempt organizations are permitted to engage in income-producing activities that are considered 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 income tax liability.

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).

For Tax Year 2008, some 42,066 tax-exempt organizations filed Form 990-T to report unrelated business income, nearly 7 percent fewer than filed the return for Tax Year 2007. Between Tax Years 2007 and 2008, gross unrelated business income decreased, while reported deductions remained relatively stable. Gross unrelated business income is the total of all unrelated business income prior to deductions. For Tax Year 2008, tax-exempt organizations reported an 11.8 percent decrease in gross unrelated business income received, which declined to $10.3 billion. This amount was largely offset by $10.2 billion in deductions. After reducing their gross unrelated business income by allowable deductions, only about half of all organizations that were required to file Form 990-T for Tax Year 2008 reported unrelated business income tax liability. Tax-exempt organizations reported $340.7 million in unrelated business income tax liability, a 43-percent decrease from Tax Year 2007. Figure A shows selected financial statistics from Forms 990-T filed for Tax Years 2007 and 2008.

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Figure A

Unrelated Business Income Tax Returns: Selected Items from Forms 990-T, Tax Years 2007 and 2008

[Money amounts are in thousands of dollars]

Item	2007	2008	Percentage change
	(1)	(2)	(3)
Number of returns, total	**45,069**	**42,066**	**-6.7**
With gross unrelated business income of $10,000 or less [1]	19,938	18,244	-8.5
With gross unrelated business income over $10,000 [1]	25,131	23,822	-5.2
With unrelated business taxable income	21,273	20,371	-4.2
Without unrelated business taxable income [2]	23,796	21,695	-8.8
Gross unrelated business income	**11,682,909**	**10,300,903**	**-11.8**
Total deductions [3]	**10,254,953**	**10,218,223**	**-0.4**
Unrelated business taxable income (less deficit)	**1,427,956**	**82,682**	**-94.2**
Unrelated business taxable income	2,316,677	1,209,470	-47.8
Deficit	888,721	1,126,788	26.8
Unrelated business income tax	**598,568**	**340,721**	**-43.1**
Total tax	**594,126**	**336,314**	**-43.4**

[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 $2.6 billion for 2007 and $2.4 billion for 2008.

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.

Total tax reported on Forms 990-T, the sum of unrelated business income tax and certain additional taxes less credits fell sharply in 2008, to $336.3 million. The additional taxes included $2.9 million of alternative minimum tax, $1.4 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and $0.10 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 $8.9 million for Tax Year 2008, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit ($6.6 million), general business credit ($1.6 million), credit for prior-year minimum tax ($0.16 million), and "other" credits ($0.5 million).

Composition of Tax Year 2008 Filers

A variety of tax-exempt organizations are required to file Form 990-T to report unrelated business income and the associated tax. Charitable organizations, which are tax-exempt under IRC section 501(c)(3), are the most common Form 990-T filers. Churches are tax-exempt under IRC section 501(c)(3) but are not required to apply for exemption. However, 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. Figure B further details the types of organizations that may be required to file Form 990-T by IRC section, description of organization, and nature of activities. [2]

Figure C provides a composition comparison for 2007 and 2008 filers by type of tax-exempt organization, type of entity, and size of gross unrelated business income and gross unrelated business taxable income. The most common Form 990-T filers, as classified by the Internal Revenue Code, were 501(c)(3) organizations, which represented one-third of returns filed for Tax Year 2008. Additionally, 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 2008. Traditional Individual Retirement Accounts (IRAs), exempt under section 408(e), and social and recreational clubs, exempt under section 501(c)(7), each accounted for 15 percent of all Tax Year 2008 Forms 990-T filed.

Figure D shows financial items for Tax Year 2008, 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 62 percent of the almost $10.3 billion in gross unrelated business income reported for Tax Year 2008. They claimed 65 percent of total deductions and reported 50 percent of total unrelated business income tax.

Charitable organizations reported 50 percent of total investment income for Tax Year 2008. However, investment income represented only a small percentage, about 16 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 92 percent of their gross unrelated business income as investment income.

Income Information, by Entity Type

At the time of inception, a tax-exempt organization has to consider criteria, such as point of origination and membership status, to decide its organizational structure. Organizations that hold funds in trust for beneficiaries are typically organized as trusts. For

[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 $1.4 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] 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 $1,000,000 and total end-of-year assets of less than $2,500,000). 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*. 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 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 and are also available on the site in a "snapshot" page that provides data highlights and products.

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 (MSAs)	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 (IRAs)	Fiduciary agent for retirement funds
408A	Roth Individual Retirement Accounts (IRAs)	Fiduciary agent for retirement funds; subject to same rules as traditional IRAs, 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
(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

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.

example, a voluntary employee beneficiary association (VEBA), exempt under Internal Revenue Code section 501(c)(9), provides a variety of supplemental employee benefits such as health, life, or accident insurance. For most groups, a corporate organizational structure is more beneficial, offering features such as liability protection and lower tax rates.

Tax-exempt organizations' unrelated business taxable income is subject to the same tax rates as income reported by for-profit filers with similar organizational structures. 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 81 percent of all Tax Year 2008 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate. Tax-exempt trusts accounted for the additional 19 percent of Forms 990-T filed for the year, which is a slightly smaller percentage than the previous year. (See Figure E.)

Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of the 7,977 tax-exempt trusts that file Form 990-T. For Tax Year 2008, these organizations represented more than 79 percent of all trusts that filed the return. The remaining 34,089 Tax Year 2008 Form 990-T filers were organized as corporations.

Corporate filers reported a relatively modest decline, 4 percent, in gross unrelated business income between Tax Years 2007 and 2008. Trust filers reported a more significant decrease of 53 percent. Overall, trusts reported 85 percent of their gross unrelated business income as investment income, compared to less than 10 percent for corporations. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax. These corporate filers reported $9.5 billion in gross unrelated business income, $9.8 billion in total deductions, and $226 million in unrelated business income tax.

Investment income represented 85 percent of gross unrelated income reported by trusts; however, the amount reported, $718 million in investment income, represents a decrease of 56 percent over the previous year. Of the $1.7 billion in investment income reported for Tax Year 2008, corporate filers reported the majority, $908.8 million. This represents a significant departure from Tax Years 2005 through 2007, when trusts accounted for the majority of all investment income reported on Form 990-T, despite representing only 20 percent of all Form 990-T filers.

Summary

The $10 billion in gross unrelated business income reported by tax-exempt organizations for Tax Year 2008 represented a 12-percent decrease from Tax

Figure C

Unrelated Busines Income Tax Returns: Forms 990-T Filers, by Size of Gross Unrelated Business Income, Gross Unrelated Business Taxable Income, Type of Entity, and Type of Organization, Tax Year 2007 and 2008

Category	Item	2007 Number of returns	2007 Percentage of total	2008 Number of returns	2008 Percentage of total	2007–2008 Returns percentage change
		(1)	(2)	(3)	(4)	(5)
All Forms 990-T	**All returns**	**45,069**	**100**	**42,066**	**100**	**-6.7**
Type of organization	**Total**	**45,069**	**100**	**42,066**	**100**	**-6.7**
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,312	31.8	14,057	33.4	-1.8
	501(c)(4) Civic leagues and social welfare organizations	1,646	3.7	1,356	3.2	-17.6
	501(c)(5) Labor, agricultural, and horticultural organizations	2,172	4.8	2,171	5.2	-0.05
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,722	12.7	5,352	12.7	-6.5
	501(c)(7) Social and recreational clubs	6,596	14.6	6,102	14.5	-7.5
	501(c)(19) War veterans' posts or organizations	1,770	3.9	1,986	4.7	12.2
	408(e) Traditional Individual Retirement Accounts	7,939	17.6	6,279	14.9	-20.9
	Other [1]	4,912	10.9	4,763	11.3	-3.0
Type of entity	**All returns, by type of organization**	**45,069**	**100**	**42,066**	**100**	**-6.7**
	Corporation	34,708	77	34,089	81	-1.8
	Trust	10,361	23	7,977	19	-23.0
Size of gross unrelated business income	**All returns, by size of gross unrelated business income**	**45,069**	**100**	**42,066**	**100**	**-6.7**
	With gross unrelated business income of $10,000 or less	19,938	44.2	18,244	43.4	-8.5
	With gross unrelated business income over $10,000	25,131	55.8	23,822	56.6	-5.2
Unrelated business taxable income	**Total**	**45,069**	**100**	**42,066**	**100**	**-6.7**
	With unrelated business taxable income	21,273	47.2	20,371	48.4	-4.2
	Without unrelated business taxable income	23,796	52.8	21,695	51.6	-8.8

[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 408(a), Qualified State Tuition 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).

Year 2007. Total unrelated business income tax liability decreased at an even higher rate, 43 percent, to $340.7 million.

As in previous years, charitable organizations, tax exempt under Internal Revenue Code 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 2008. These organizations reported 62 percent of all gross unrelated business income for the year, claimed nearly 65 percent of deductions, and accounted for a little less than half of all unrelated business income tax liability.

Nearly 81 percent of all Tax Year 2008 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 classified as corporations reported the majority of gross unrelated business income, total deductions, and unrelated business income tax for Tax Year 2008. 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 2008, Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, and 530(a) trusts' required reporting period was Calendar Year 2008, and the Form 990-T filing deadline was April 15, 2009. For all other organizations, the

Figure D

Unrelated Business Income Tax Returns: Selected Items for Tax-Exempt Organizations, by Subsection Code, Tax Year 2008

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]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	42,066	14,057	1,356	2,171	5,352	6,102	1,986	6,279	4,763
Gross unrelated business income (UBI)	10,300,903	6,418,708	540,059	265,624	1,009,264	649,284	219,486	49,205	1,149,273
Total investment income [2]	1,627,016	805,439	24,531	22,027	36,426	90,016	11,207	45,522	591,848
Investment income to gross UBI ratio (percentage)	15.8	12.5	4.5	8.3	3.6	13.9	5.1	92.5	51.5
Total deductions	10,218,223	6,614,711	527,916	260,643	1,014,260	601,135	219,557	16,393	963,608
Unrelated business taxable income (less deficit)	82,682	-196,003	12,143	4,982	-4,995	48,149	-71	32,812	185,665
Unrelated business taxable income	1,209,470	572,933	42,439	25,560	78,893	93,699	11,243	33,650	351,053
Deficit	1,126,788	768,936	30,296	20,578	83,888	45,550	11,314	838	165,388
Unrelated business income tax	340,721	172,052	13,565	6,712	22,050	24,268	2,301	9,088	90,684
Total tax	336,314	167,022	13,228	6,716	23,356	23,894	2,297	9,082	90,719

[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 Accounts, exempt under section 408(a), Qualified State Tuition 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 sections 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.

Figure E

Unrelated Business Income Tax Returns: Selected Items for Tax-Exempt Corporate and Trust Entities, Tax Years 2007 and 2008

[Money amounts are in thousands of dollars]

Item	2007 Type of entity			2008 Type of entity		
	All	Corporations	Trusts	All	Corporations	Trusts
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	45,069	34,708	10,361	42,066	34,089	7,977
Gross unrelated business income (UBI)	11,682,909	9,882,871	1,800,038	10,300,903	9,456,750	844,153
Total investment income [1]	3,067,541	1,443,069	1,624,472	1,674,016	908,832	718,183
Investment income to gross UBI ratio (percentage)	26.3	14.6	90.2	15.8	9.6	85.1
Total deductions	10,254,953	9,575,530	679,423	10,218,223	9,767,613	450,610
Unrelated business taxable income (less deficit)	1,427,956	307,341	1,120,615	82,682	-310,862	393,542
Unrelated business taxable income	2,316,677	1,147,111	1,169,566	1,209,470	765,338	444,131
Deficit	888,721	839,770	48,951	1,126,788	1,076,200	50,589
Unrelated business income tax	598,568	348,930	249,638	340,721	225,850	114,871
Total tax	594,126	348,074	246,052	336,314	222,206	114,108

[1] 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 sections 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.

required reporting period was any accounting period beginning in Calendar Year 2008 and, thus, ending between December 2008 and November 2009, for full-year return filers. The associated required due dates for filing Tax Year 2008 Forms 990-T generally fell between May 2009 to April 2010, 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 2008 study sample was drawn from Forms 990-T processed by IRS throughout Calendar Years 2009 and 2010. Because of the various accounting periods of the organizations filing a Tax Year 2008 return, the financial activities covered in this article span the period January 2008 through November 2009, although 58 percent of Form 990-T filers had Calendar Year 2008 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2008 Form 990-T records posted to the IRS Business Master File system during 2009 and 2010. Generally, returns filed after Calendar Year 2010 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 6,966 returns was selected from a population of 42,283. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 6,958 returns, and the estimated population size was 42,066. Rejected returns included those that had gross unrelated business income less than the $1,000 filing threshold; were filed for a part-year 2008 accounting period, and a full-year 2008 return was also filed; or were filed for a part-year accounting period that began in a year other than 2008.

The Tax Year 2008 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 IRC 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. IRC 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" IRC 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 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 2008

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income	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	**0.16**	**0.21**	**0.16**	**0.32**	**0.19**	**31.30**	**0.33**	**1.12**	**0.33**	**0.98**
501(c)(2) Title-holding corporations for exempt organizations [1]	27.79	7.09	27.79	6.82	29.72	39.79	36.47	14.21	36.47	7.55
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	2.78	0.32	2.78	0.39	3.14	7.42	5.03	1.16	4.99	1.04
501(c)(4) Civic leagues and social welfare organizations	12.05	1.76	12.05	1.99	13.48	25.97	21.37	3.53	21.27	2.34
501(c)(5) Labor, agricultural, and horticultural organizations	9.70	4.17	9.70	4.47	11.03	72.98	16.28	9.12	16.28	7.53
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5.93	1.63	5.93	1.84	7.03	138.84	10.30	3.75	10.09	2.97
501(c)(7) Social and recreational clubs	5.71	2.67	5.74	3.15	6.34	17.77	7.55	5.93	7.62	5.92
501(c)(8) Fraternal beneficiary societies and associations	15.47	7.12	15.47	7.64	18.00	278.56	25.36	25.89	25.36	22.76
501(c)(9) Voluntary employees' beneficiary associations	16.25	2.27	16.26	2.59	19.80	4.89	21.47	3.72	21.47	3.14
501(c)(10) Domestic fraternal beneficiary societies and associations	25.96	16.85	26.57	17.89	29.20	86.72	43.00	38.81	43.00	38.81
401(a) Qualified pension, profit-sharing, or stock bonus plans	22.40	3.15	22.72	4.31	22.75	5.39	24.33	4.72	24.20	4.92
408(e) Traditional Individual Retirement Accounts	6.09	8.48	6.10	8.62	6.23	11.91	5.79	11.55	5.78	11.77
Other [3]	6.88	2.29	6.89	3.06	7.45	19.19	11.64	7.64	11.95	6.91

[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 Accounts, exempt under section 408(a), Qualified State Tuition 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 sections 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 sections 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 sections 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 sections 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 sections 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 sections 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 (sections 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 2008 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	—	35%	0

Tax Rates for Trusts

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$2,200	+ 15%	$ 0
2,200	5,150	$330 + 25%	2,200
5,150	7,850	1,067.50 + 28%	5,150
7,850	10,700	1,823 + 33%	7,850
10,700	—	2,764 + 35%	10,700

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 sections 501(c)(7), (9), and (17) organizations reported all debt-financed income as "Investment income (less loss)." All other organizations reported debt-financed income separately.

Table 1. 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 2008

[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	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]	
			Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
All organizations	**42,066**	**10,300,903**	**41,806**	**10,218,223**	**34,234**	**82,682**
220(e) Archer Medical Savings Accounts	0	0	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	417	140,835	410	73,997	412	66,838
408(e) Traditional Individual Retirement Accounts	6,279	49,205	6,245	16,393	5,780	32,812
408(A) Roth Individual Retirement Accounts	171	8,569	171	760	138	7,809
501(c)(2) Title-holding corporations for exempt organizations [6]	311	53,541	311	51,092	270	2,449
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,057	6,418,708	13,970	6,614,711	11,331	-196,003
501(c)(4) Civic leagues and social welfare organizations	1,356	540,059	1,356	527,916	999	12,143
501(c)(5) Labor, agricultural, and horticultural organizations	2,171	265,624	2,171	260,643	1,731	4,982
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,352	1,009,264	5,352	1,014,260	3,836	-4,995
501(c)(7) Social and recreational clubs	6,102	649,284	6,035	601,135	4,987	48,149
501(c)(8) Fraternal beneficiary societies and associations	1,027	85,478	1,027	84,635	784	843
501(c)(9) Voluntary employees' beneficiary associations	550	434,174	550	245,523	372	188,651
501(c)(10) Domestic fraternal beneficiary societies and associations	306	26,104	273	27,352	241	-1,248
501(c)(11) Teachers' retirement fund associations	0	0	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	278	75,961	278	71,789	218	4,172
501(c)(13) Cemetery companies	d	d	d	d	d	d
501(c)(14) State-chartered credit unions	1,637	312,529	1,637	395,367	1,392	-82,837
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	1,986	219,486	1,953	219,557	1,683	-71
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 ERISA	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	d	d	d	d	d	d
530(a) Coverdell Education Savings Accounts	0	0	0	0	0	0

Footnotes at end of table.

Table 1. 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 2008—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 [4]		Total tax [5]	
	Number of returns	Amount	Number of returns	Amount
	(7)	(8)	(9)	(10)
All organizations	**20,371**	**1,209,470**	**20,311**	**336,314**
220(e) Archer Medical Savings Accounts	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	379	73,196	381	23,408
408(e) Traditional Individual Retirement Accounts	5,577	33,650	5,577	9,082
408(A) Roth Individual Retirement Accounts	138	7,809	138	2,231
501(c)(2) Title-holding corporations for exempt organizations [6]	179	6,222	179	1,667
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	5,276	572,933	5,254	167,022
501(c)(4) Civic leagues and social welfare organizations	439	42,439	441	13,228
501(c)(5) Labor, agricultural, and horticultural organizations	811	25,560	811	6,716
501(c)(6) Business leagues, chambers of commerce, and real estate boards	1,752	78,893	1,821	23,356
501(c)(7) Social and recreational clubs	3,577	93,699	3,540	23,894
501(c)(8) Fraternal beneficiary societies and associations	427	6,632	427	1,139
501(c)(9) Voluntary employees' beneficiary associations	343	229,327	343	55,179
501(c)(10) Domestic fraternal beneficiary societies and associations	125	676	125	101
501(c)(11) Teachers' retirement fund associations	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	156	10,245	156	2,416
501(c)(13) Cemetery companies	d	d	d	d
501(c)(14) State-chartered credit unions	361	16,659	326	4,515
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	797	11,243	757	2,297
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 ERISA	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	d	d	d	d
530(a) Coverdell Education Savings Accounts	0	0	0	0

d—Data deleted to avoid disclosure of information for specific tax payers. However, data are included in 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 $2.4 billion.

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

[3] Excludes data from 7,832 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 $1.4 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 2008

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

Size of gross unrelated business income	Number of returns	Gross unrelated business income	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	**42,066**	**10,300,903**	**41,806**	**10,218,223**	**34,234**	**82,680**	**20,371**	**1,209,470**	**20,311**	**336,314**
$1,000 under $10,001 [6]	18,244	72,435	18,038	78,195	15,020	-5,760	10,961	21,848	10,828	3,911
$10,001 under $100,000 [6]	14,115	626,961	14,067	670,683	11,420	-43,722	5,696	100,350	5,726	18,096
$100,000 under $500,000	6,584	1,443,769	6,577	1,480,969	5,304	-37,200	2,510	178,709	2,504	44,754
$500,000 under $1,000,000	1,445	1,004,654	1,445	1,002,336	1,158	2,318	598	118,019	601	35,851
$1,000,000 under $5,000,000	1,359	2,818,907	1,359	2,842,342	1,074	-23,435	476	306,245	504	95,261
$5,000,000 or more	319	4,334,178	319	4,143,698	259	190,479	130	484,298	148	138,440

[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 $2.4 billion.

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

[3] Excludes data from 7,832 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 $1.4 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 2008

[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	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	**42,066**	**10,300,903**	**41,806**	**10,218,223**	**34,234**	**82,680**	**20,311**	**336,314**
Deficit	13,863	4,350,805	13,863	5,477,595	13,863	-1,126,790	56	1,736
Zero [4]	7,832	2,113,431	7,832	2,113,430	[4] 0	[4] 0	193	1,404
$1 under $1,000	5,277	52,590	5,277	50,184	5,277	2,405	5,225	361
$1,000 under $10,000	8,613	269,359	8,407	237,568	8,613	31,790	8,424	5,292
$10,000 under $100,000	5,140	940,611	5,093	774,649	5,140	165,962	5,083	29,835
$100,000 under $500,000	956	747,465	949	541,987	956	205,478	947	61,238
$500,000 under $1,000,000	198	480,242	198	341,382	198	138,861	197	44,982
$1,000,000 or more	187	1,346,401	187	681,428	187	664,973	186	191,467

[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 $2.4 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 $1.4 million.

[4] The Zero category includes 7,832 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 of Gross UBI, Tax Year 2008

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

Type of entity and size of gross unrelated business income	Number of returns	Gross unrelated business income	Total deductions [1,2]		Unrelated business taxable income	Total tax [3]	
			Number of returns	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL ENTITIES							
Total	**20,371**	**3,836,668**	**20,110**	**2,627,198**	**1,209,470**	**20,062**	**333,174**
$1,000 under $10,001 [4]	10,961	39,262	10,755	17,414	21,848	10,760	3,599
$10,001 under $100,000 [4]	5,696	246,889	5,647	146,539	100,350	5,668	17,786
$100,000 under $500,000	2,510	563,163	2,503	384,455	178,709	2,457	44,532
$500,000 under $1,000,000	598	417,428	598	299,409	118,019	580	35,684
$1,000,000 under $5,000,000	476	960,356	476	654,111	306,245	470	94,474
$5,000,000 or more	130	1,609,570	130	1,125,271	484,298	127	137,100
TAX-EXEMPT CORPORATIONS							
Total	**13,594**	**3,207,610**	**13,407**	**2,442,272**	**765,338**	**13,287**	**219,902**
$1,000 under $10,001 [4]	5,184	23,781	5,045	10,920	12,860	4,983	1,931
$10,001 under $100,000 [4]	5,101	227,444	5,053	144,955	82,489	5,073	13,140
$100,000 under $500,000	2,280	509,246	2,280	372,721	136,525	2,228	32,639
$500,000 under $1,000,000	525	365,389	525	290,426	74,963	507	22,557
$1,000,000 under $5,000,000	400	804,516	400	606,517	197,999	394	65,459
$5,000,000 or more	104	1,277,234	104	1,016,733	260,501	102	84,177
TAX-EXEMPT TRUSTS							
Total	**6,777**	**629,057**	**6,703**	**184,926**	**444,131**	**6,776**	**113,272**
$1,000 under $10,001 [4]	5,777	15,482	5,711	6,494	8,988	5,777	1,668
$10,001 under $100,000 [4]	595	19,445	595	1,584	17,861	595	4,646
$100,000 under $500,000	229	53,917	223	11,733	42,184	229	11,893
$500,000 under $1,000,000	73	52,038	73	8,983	43,055	73	13,127
$1,000,000 under $5,000,000	76	155,840	76	47,594	108,246	76	29,015
$5,000,000 or more	26	332,336	26	108,538	223,798	25	52,923

[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. 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 $7.3 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 $1.4 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 Grouping, Tax Year 2008

[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	Total deductions [1,2]		Unrelated business taxable income (less deficit) [3]	
			Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
All activities and groupings	**42,066**	**10,300,903**	**41,806**	**10,218,223**	**34,234**	**82,680**
Agriculture, forestry, hunting, and fishing	210	43,249	210	23,326	163	19,923
Mining	445	66,940	438	33,824	407	33,115
Utilities	53	14,450	53	15,947	45	-1,497
Construction	64	37,904	64	33,440	45	4,463
Manufacturing	124	73,990	117	60,410	120	13,580
Wholesale trade	80	31,963	80	18,707	62	13,256
Retail trade	1,429	898,197	1,389	903,274	1,230	-5,077
Transportation and warehousing	d	d	d	d	d	d
Information	664	237,129	664	240,196	471	-3,067
Finance and insurance, total	13,611	1,845,355	13,512	1,584,600	11,723	260,756
Unrelated debt-financed activities,other than rental of real estate	874	91,692	874	66,287	819	25,405
Investment activities of Code sections 501(c)(7), (9), and (17) organizations [6]	3,181	559,489	3,148	343,096	2,529	216,394
Passive income activities with controlled organizations	248	227,521	248	186,075	191	41,446
Other finance and insurance	9,308	966,653	9,242	989,142	8,184	-22,489
Real estate and rental and leasing, total	7,518	972,826	7,444	1,007,783	6,364	-34,958
Rental of personal property	370	43,021	370	46,756	277	-3,736
Other real estate and rental and leasing	7,148	929,805	7,074	961,027	6,087	-31,222
Professional, scientific, and technical services	8,308	2,071,936	8,308	2,130,362	5,879	-58,427
Management of companies and enterprises	d	d	d	d	d	d
Administrative and support and waste management and remediation services	822	574,094	822	607,320	563	-33,227
Educational services	22	29,458	22	32,720	20	-3,262
Healthcare and social assistance	1,008	1,694,940	1,008	1,666,953	810	27,987
Arts, entertainment, and recreation	3,911	811,322	3,911	902,221	2,973	-90,898
Accommodation and food services	2,937	655,434	2,904	721,765	2,566	-66,331
Other services	575	133,206	575	145,034	532	-11,828
Exploited exempt activities	210	82,152	210	81,377	192	775
Not allocable	48	2,251	48	1,881	48	370

Footnotes at end of table.

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 Grouping, Tax Year 2008—Continued

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

Primary unrelated business activity or industrial grouping	Unrelated business taxable income [4]		Total tax [5]	
	Number of returns	Amount	Number of returns	Amount
	(7)	(8)	(9)	(10)
All activities and groupings	**20,371**	**1,209,470**	**20,311**	**336,314**
Agriculture, forestry, hunting, and fishing	112	24,301	112	7,654
Mining	402	33,893	402	7,461
Utilities	12	1,467	12	387
Construction	43	4,837	43	1,415
Manufacturing	102	29,461	102	9,983
Wholesale trade	51	19,338	51	4,487
Retail trade	624	67,910	597	22,260
Transportation and warehousing	d	d	d	d
Information	211	16,659	193	4,823
Finance and insurance, total	9,576	522,337	9,558	137,269
Unrelated debt-financed activities,other than rental of real estate	674	40,494	676	11,315
Investment activities of Code sections 501(c)(7), (9), and (17) organizations [6]	2,318	252,120	2,310	59,460
Passive income activities with controlled organizations	147	57,372	148	16,424
Other finance and insurance	6,437	172,351	6,424	50,070
Real estate and rental and leasing, total	3,341	123,804	3,354	34,379
Rental of personal property	171	6,857	173	1,828
Other real estate and rental and leasing	3,170	116,947	3,181	32,551
Professional, scientific, and technical services	2,374	124,271	2,462	37,030
Management of companies and enterprises	d	d	d	d
Administrative and support and waste management and remediation services	269	12,762	245	3,992
Educational services	* 10	* 2,224	* 10	* 755
Healthcare and social assistance	405	134,774	430	42,511
Arts, entertainment, and recreation	1,347	31,509	1,315	6,152
Accommodation and food services	996	26,633	958	6,036
Other services	301	8,201	267	1,940
Exploited exempt activities	145	6,289	148	1,929
Not allocable	48	370	48	114

*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 $2.4 billion.

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

[3] Excludes data from 7,832 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 $1.4 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 2008

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

Size of gross unrelated business income	Gross unrelated business income		Sources of gross unrelated business income: Gross profit (less loss) from sales and services		Sources of gross unrelated business income: Capital gain net income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Total	**42,066**	**10,300,903**	**16,572**	**6,002,611**	**935**	**224,976**
$1,000 under $10,001 [1]	18,244	72,435	3,868	16,278	308	270
$10,001 or more, total [1]	**23,822**	**10,228,469**	**12,704**	**5,986,332**	**627**	**224,706**
$10,001 under $100,000	14,115	626,961	6,555	260,782	282	10,297
$100,000 under $500,000	6,584	1,443,769	4,028	767,476	181	23,863
$500,000 under $1,000,000	1,445	1,004,654	965	567,170	58	14,254
$1,000,000 under $5,000,000	1,359	2,818,907	913	1,604,011	74	57,443
$5,000,000 or more	319	4,334,178	243	2,786,893	32	118,849

Size of gross unrelated business income	Sources of gross unrelated business income—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	**	**	** 398	** 14,111	**8,188**	**455,688**
$1,000 under $10,001 [1]	**	**	** 101	** 98	6,097	16,343
$10,001 or more, total [1]	**	**	** 296	** 14,013	**2,091**	**439,346**
$10,001 under $100,000	**	**	** 68	** 619	1,013	18,549
$100,000 under $500,000	**	**	** 103	** 1,712	508	42,015
$500,000 under $1,000,000	**	**	** 42	** 1,049	192	27,291
$1,000,000 under $5,000,000	**	**	** 56	** 2,689	260	104,164
$5,000,000 or more	**	**	** 27	** 7,945	118	247,327

Size of gross unrelated business income	Sources of gross unrelated business income—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	**4,707**	**354,843**	**3,664**	**507,356**	**5,089**	**438,996**
$1,000 under $10,001 [1]	1,306	6,333	1,232	6,361	2,626	7,902
$10,001 or more, total [1]	**3,401**	**348,509**	**2,432**	**500,995**	**2,463**	**431,094**
$10,001 under $100,000	2,169	70,479	1,414	53,075	1,129	17,757
$100,000 under $500,000	861	86,625	697	108,617	909	52,122
$500,000 under $1,000,000	164	42,137	139	57,731	263	47,857
$1,000,000 under $5,000,000	165	98,628	143	145,154	140	136,661
$5,000,000 or more	42	50,640	39	136,418	22	176,697

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 2008—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—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	**918**	**109,166**	**912**	**205,311**	**8,292**	**1,392,621**	**5,429**	**596,056**
$1,000 under $10,001 [1]	241	558	104	622	3,016	13,647	1,351	4,223
$10,001 or more, total [1]	**677**	**108,609**	**807**	**204,689**	**5,276**	**1,378,973**	**4,077**	**591,834**
$10,001 under $100,000	331	10,737	409	9,614	3,211	110,808	2,204	64,283
$100,000 under $500,000	213	19,760	182	16,799	1,373	219,369	1,264	105,710
$500,000 under $1,000,000	41	9,461	85	32,254	306	138,822	270	66,735
$1,000,000 under $5,000,000	72	42,055	108	82,980	325	367,168	266	178,070
$5,000,000 or more	20	26,596	23	63,042	61	542,806	73	177,036

** Data in adjacent variable columns 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, Tax Year 2008

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

Item	All		Size of gross unrelated business income			
			$1,000 under $10,001 [3]		$10,001 under $100,000 [3]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**42,066**	**N/A**	**18,244**	**N/A**	**14,115**	**N/A**
Total deductions [1,2]	**41,806**	**10,218,223**	**18,038**	**78,195**	**14,067**	**670,683**
Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]:						
Total deductions [2,4]	**18,038**	**78,195**	**18,038**	**78,195**	**N/A**	**N/A**
Net operating loss deduction	1,336	2,963	1,336	2,963	N/A	N/A
Specific deduction	12,375	11,569	12,375	11,569	N/A	N/A
Organizations with gross unrelated business income (UBI) of $10,001 or more [3]:						
Total deductions [2,5]	**23,768**	**10,140,028**	**N/A**	**N/A**	**14,067**	**670,683**
Deductions directly connected with UBI	**22,483**	**9,543,706**	**N/A**	**N/A**	**13,073**	**634,138**
Allocable to rental income [6]	2,055	247,531	N/A	N/A	1,339	49,055
Allocable to unrelated debt-financed income [6]	2,235	533,954	N/A	N/A	1,289	66,533
Allocable to investment income [6,7]	776	30,801	N/A	N/A	* 168	* 1,766
Allocable to income from controlled organizations [6]	390	85,884	N/A	N/A	189	5,964
Allocable to exploited exempt activity income, except advertising [6]	726	168,394	N/A	N/A	373	8,701
Direct advertising costs [6]	4,802	998,295	N/A	N/A	2,917	80,819
Compensation of officers, directors, and trustees	1,860	56,890	N/A	N/A	826	11,896
Salaries and wages	10,511	1,919,000	N/A	N/A	5,056	134,462
Repairs and maintenance	7,217	135,336	N/A	N/A	3,462	19,778
Bad debts	781	40,997	N/A	N/A	153	943
Interest	2,570	127,424	N/A	N/A	1,058	12,277
Taxes and licenses paid deduction	10,391	194,903	N/A	N/A	5,424	22,988
Depreciation	7,254	271,654	N/A	N/A	3,267	19,045
Depletion	136	10,492	N/A	N/A	90	496
Contributions to deferred compensation plans	1,132	16,101	N/A	N/A	308	239
Contributions to employee benefit programs	5,339	439,622	N/A	N/A	2,000	9,140
Net operating loss deduction	3,084	198,537	N/A	N/A	1,756	16,069
Other deductions	14,627	4,067,892	N/A	N/A	7,703	173,976
Deductions not directly connected with UBI	**11,926**	**596,322**	**N/A**	**N/A**	**7,076**	**36,545**
Specific deduction	9,787	9,431	N/A	N/A	5,994	5,738
Charitable contributions	2,053	99,993	N/A	N/A	** 1,137	** 4,291
Set-asides [7]	198	157,162	N/A	N/A	**	**
Excess exempt-activity expenses [8]	2,428	329,737	N/A	N/A	1,301	26,516

Footnotes at end of table.

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income, Tax Year 2008—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	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
Number of returns	**6,584**	**N/A**	**1,445**	**N/A**	**1,359**	**N/A**	**319**	**N/A**
Total deductions [1,2]	**6,577**	**1,480,969**	**1,445**	**1,002,336**	**1,359**	**2,842,342**	**319**	**4,143,698**
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**	**N/A**
Net operating loss deduction	N/A	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	N/A
Organizations with gross unrelated business income (UBI) of $10,001 or more [3]:								
Total deductions [2,5]	**6,577**	**1,480,969**	**1,445**	**1,002,336**	**1,359**	**2,842,342**	**319**	**4,143,698**
Deductions directly connected with UBI	**6,377**	**1,402,159**	**1,397**	**952,095**	**1,325**	**2,661,751**	**311**	**3,893,564**
Allocable to rental income [6]	481	60,459	92	30,508	114	73,308	29	34,202
Allocable to unrelated debt-financed income [6]	650	112,016	131	59,414	131	154,795	34	141,196
Allocable to investment income [6,7]	367	4,648	156	5,758	76	11,172	* 9	* 7,458
Allocable to income from controlled organizations [6]	107	13,337	26	8,753	51	32,276	17	25,555
Allocable to exploited exempt activity income, except advertising [6]	156	11,866	80	27,822	96	69,616	21	50,389
Direct advertising costs [6]	1,236	157,467	284	104,927	308	255,563	57	399,519
Compensation of officers, directors, and trustees	693	15,990	177	8,775	128	11,863	36	8,366
Salaries and wages	3,598	327,909	862	212,547	785	566,093	210	677,989
Repairs and maintenance	2,603	29,212	524	15,651	502	27,289	127	43,406
Bad debts	302	1,984	104	2,155	158	11,699	65	24,226
Interest	973	16,924	271	11,166	209	38,933	59	48,124
Taxes and licenses paid deduction	3,340	51,988	778	27,428	659	41,638	190	50,862
Depreciation	2,592	55,116	625	38,349	606	84,602	163	74,542
Depletion	* 25	* 2,054	* 8	* 848	* 9	* 2,746	* 4	* 4,349
Contributions to deferred compensation plans	496	1,920	182	1,893	125	5,255	21	6,793
Contributions to employee benefit programs	1,999	30,181	577	28,056	594	124,767	170	247,478
Net operating loss deduction	815	30,754	217	24,835	238	64,875	58	62,003
Other deductions	4,545	478,334	1,068	343,215	1,038	1,085,263	274	1,987,106
Deductions not directly connected with UBI	**3,269**	**78,810**	**743**	**50,241**	**664**	**180,592**	**174**	**250,134**
Specific deduction	2,569	2,484	605	594	488	483	131	131
Charitable contributions	574	8,574	** 157	** 17,751	167	15,851	74	66,660
Set-asides [7]	92	14,940	**	**	42	60,442	8	68,645
Excess exempt-activity expenses [8]	717	52,812	165	31,895	204	103,815	42	114,698

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

** Data in adjacent items 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 $2.4 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 all rows under the heading "Total deductions.".

[4] Excludes $63.2 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 $2.32 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.