

Unrelated Business Income Tax Returns, 2009

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.¹

For Tax Year 2009, some 42,469 tax-exempt organizations filed Form 990-T to report unrelated business income, nearly 1 percent more than filed the return for Tax Year 2008 (Figure A). Between Tax Years 2008 and 2009, 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 2009, tax-exempt organizations reported a 5.8-percent decrease in gross unrelated business income received, which declined to \$9.7 billion. In aggregate, this amount was largely offset by \$9.8 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 2009 reported unrelated business income tax liability. Tax-exempt organizations reported \$266.4 million in unrelated business income tax liability, a 22-percent decrease from Tax Year 2008.

Figure A

Unrelated Business Income Tax Returns: Selected Items from Forms 990-T, Tax Years 2008 and 2009

[Money amounts are in thousands of dollars]

Item	2008	2009	Percentage change
	(1)	(2)	(3)
Number of returns, total	42,066	42,469	1.0
With gross unrelated business income of \$10,000 or less [1]	18,244	19,072	4.5
With gross unrelated business income over \$10,000 [1]	23,822	23,397	-1.8
With unrelated business taxable income	20,371	19,368	-4.9
Without unrelated business taxable income [2]	21,695	23,101	6.5
Gross unrelated business income	10,300,903	9,700,964	-5.8
Total deductions [3]	10,218,223	9,821,097	-3.9
Unrelated business taxable income (less deficit)	82,682	-120,133	-245.3
Unrelated business taxable income	1,209,470	930,795	-23.0
Deficit	1,126,788	1,050,928	-6.7
Unrelated business income tax	340,721	266,421	-21.8
Total tax	336,314	263,147	-21.8

[1] Organizations with gross unrelated business income (UBI) between \$1,000 (the filing threshold) and \$10,000 were not required to report itemized expenses and deductions, or to complete return schedules. Those with gross UBI over \$10,000 were required to fill out a more detailed "complete" return.

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

[3] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33. Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services is a component of gross unrelated business income (upon which the filing requirement is based). Total cost of sales and services was \$2.4 billion for 2008 and 2009.

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 2009, to \$263.1 million (see Figure B). The additional taxes included \$1.5 million of alternative minimum tax, \$1.1 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and

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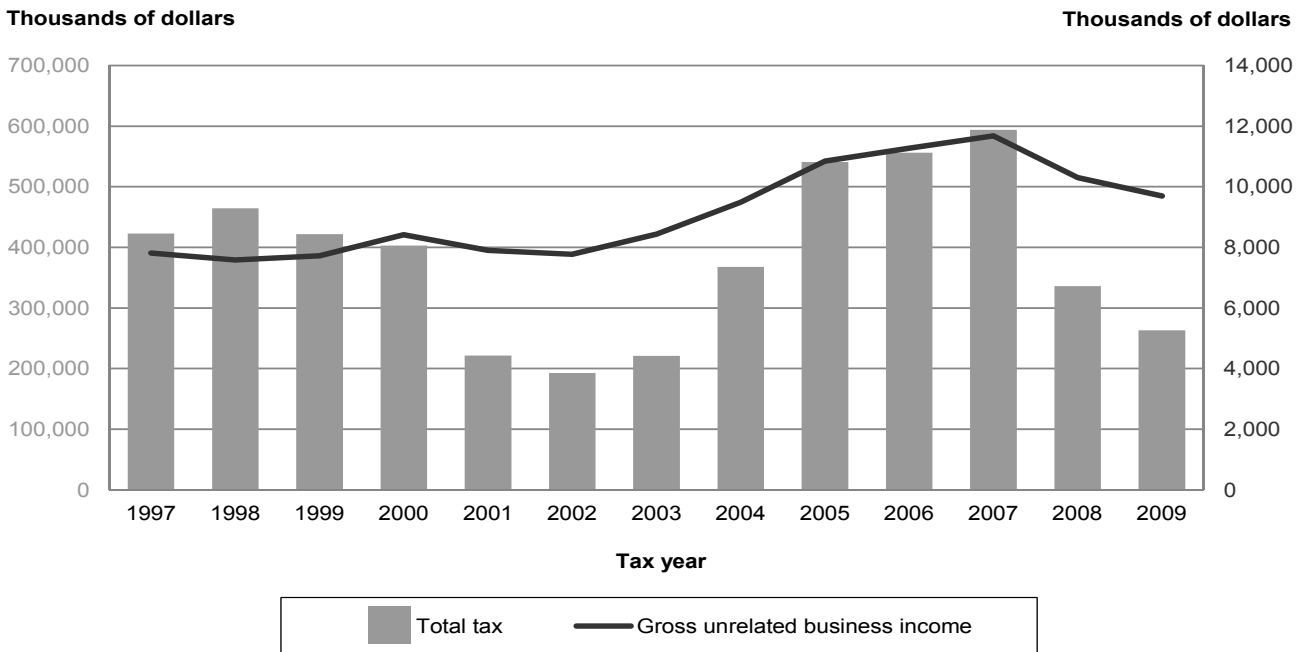
¹ See "Gross unrelated business income" in the Explanation of Selected Terms for additional information.

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Figure B

Unrelated Business Income Tax Returns: Gross Unrelated Business Income and Total Tax, Tax Years 1997–2009



\$0.14 million of “other” taxes.² 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 \$6.1 million for Tax Year 2009, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit (\$4.5 million), general business credit (\$1.2 million), credit for prior-year minimum tax (\$0.11 million), and “other” credits (\$0.3 million).

Composition of Tax Year 2009 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 (see Table 8 for further information on the composition of 501(c)(3) 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 C 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.³

Figure D provides a composition comparison for 2008 and 2009 filers by type of tax-exempt organization, type of entity, size of gross unrelated business

² 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.

³ 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 Website at <http://www.irs.gov/taxstats> and are also available on the site in a “snapshot” page that provides data highlights and products.

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Figure C

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 IRA's, except contributions are not tax deductible and qualified distributions are tax free
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
(3)	Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster national or international amateur sports competition	Activities of a nature implied by the description of the class of organization
(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes
(5)	Labor, agricultural, and horticultural organizations	Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency
(6)	Business leagues, chambers of commerce, real estate boards, and like organizations	Improving conditions in one or more lines of business
(7)	Social and recreational clubs	Pleasure, recreation, and social activities
(8)	Fraternal beneficiary societies and associations	Lodges providing for payment of life, health, accident, or other insurance benefits to members
(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, health, accident, or other insurance benefits to members
(10)	Domestic fraternal beneficiary societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members
(11)	Teachers' retirement fund associations	Fiduciary associations providing for payment of retirement benefits
(12)	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, and like organizations	Activities of a mutually beneficial nature implied by the description of the class of organization
(13)	Cemetery companies	Arranging for burials and incidental related activities
(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.

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Figure C—Continued

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

Code section	Description of organization	General nature of activities
(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.

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 2009. 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 2009. Traditional Individual Retirement Accounts (IRAs), exempt under section 408(e), and social and recreational clubs, exempt under section 501(c)(7), accounted for the largest percentages of all Tax Year 2009 Forms 990-T filed, 17 percent and 14 percent, respectively.

A look at selected financial items for Tax Year 2009, 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, shows that charitable organizations accounted for 65 percent of the almost \$9.7 billion in gross unrelated business income reported for Tax Year 2009 (see Figure E). They claimed 66 percent of total deductions and reported 58 percent of total unrelated business income tax. Charitable organizations also reported 51 percent of total investment income for Tax Year 2009. However, investment income represented only a small percentage, about 11 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 96 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 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. However, for most groups, a corporate organizational structure is more beneficial, offering features such as liability protection and lower tax rates.

Generally organizations are taxed based upon their structures and 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. Those that are classified 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 classified as nonprofit corporations, pay taxes at the corporate rate. Nearly 79 percent of all Tax Year 2009 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate (see Figure F). Tax-exempt trusts accounted for the additional 20 percent of Forms 990-T filed for the year, which is a slightly larger percentage than the

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Figure D

Unrelated Business Income Tax Returns: Form 990-T Filers, by Type of Organization, Type of Entity, Size of Gross Unrelated Business Income, and Presence of Unrelated Business Taxable Income, Tax Years 2008 and 2009

Category	Item	2008		2009		2008 to 2009 Number of returns, percentage change
		Number of returns	Percentage of total	Number of returns	Percentage of total	
		(1)	(2)	(3)	(4)	(5)
All Forms 990-T	All returns	42,066	100.0	42,469	100.0	1.0
Type of organization	All returns, by type of organization	42,066	100.0	42,469	100.0	1.0
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,057	33.4	14,169	33.4	0.8
	501(c)(4) Civic leagues and social welfare organizations	1,356	3.2	1,466	3.5	8.1
	501(c)(5) Labor, agricultural, and horticultural organizations	2,171	5.2	2,084	4.9	-4.0
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,352	12.7	5,417	12.8	1.2
	501(c)(7) Social and recreational clubs	6,102	14.5	5,890	13.9	-3.5
	501(c)(19) War veterans' posts or organizations	1,986	4.7	1,874	4.4	-5.6
	408(e) Traditional Individual Retirement Accounts	6,279	14.9	7,025	16.5	11.9
	Other [1]	4,763	11.3	4,544	10.7	-4.6
Type of entity	All returns, by type of entity	42,066	100.0	42,469	100.0	1.0
	Corporation	34,089	81.0	33,619	79.2	-1.4
	Trust	7,977	19.0	8,850	20.8	10.9
Size of gross unrelated business income	All returns, by size of gross unrelated business income	42,066	100.0	42,469	100.0	1.0
	With gross unrelated business income of \$10,000 or less	18,244	43.4	19,072	44.9	4.5
	With gross unrelated business income over \$10,000	23,822	56.6	23,397	55.1	-1.8
Presence of unrelated business taxable income	All returns, with and without unrelated business taxable income	42,066	100.0	42,469	100.0	1.0
	With unrelated business taxable income	20,371	48.4	19,368	45.6	-4.9
	Without unrelated business taxable income	21,695	51.6	23,101	54.4	6.5

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(19), 501(c)(21)-(27), as well as Archer Medical Savings Accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; State-sponsored qualified tuition plans, exempt under section 529(a); and Coverdell Education Savings Accounts, exempt under section 530(a). See Figure C 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).

previous year. Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of the 8,850 tax-exempt trusts that filed Form 990-T. For Tax Year 2009, these organizations represented more than 79 percent of all trusts that filed the return.

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 \$9.0 billion

in gross unrelated business income, \$9.4 billion in total deductions, and \$192.0 million in unrelated business income tax. Corporate filers reported a relatively modest decline, 4 percent, in gross unrelated business income between Tax Years 2008 and 2009. Trust filers reported a more significant decrease of 22 percent.

Investment income represented 86 percent of gross unrelated income reported by trusts, compared to less than 10 percent for corporations. However, the amount reported, \$564.5 million in investment income, represents

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Figure E

Unrelated Business Income Tax Returns: Selected Items for Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Subsection Code, Tax Year 2009

[Money amounts are in thousands of dollars]

Item	Subsection code								
	All	501(c)(3)	501(c)(4)	501(c)(5)	501(c)(6)	501(c)(7)	501(c)(19)	408(e)	Other [1]
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	42,469	14,169	1,466	2,084	5,417	5,890	1,874	7,025	4,544
Gross unrelated business income (UBI)	9,700,964	6,313,123	494,826	248,036	922,867	549,272	171,214	36,342	965,284
Total investment income [2]	1,394,316	713,542	7,984	23,101	44,227	60,750	8,828	34,915	500,969
Investment income to gross UBI (percentage)	14.4	11.3	1.6	9.3	4.8	11.1	5.2	96.1	51.9
Total deductions	9,821,097	6,499,786	491,797	245,404	936,812	551,590	173,498	17,352	904,858
Unrelated business taxable income (less deficit)	-120,133	-186,663	3,029	2,631	-13,945	-2,318	-2,284	18,991	60,426
Unrelated business taxable income	930,795	505,479	20,654	27,882	68,446	51,965	7,897	20,197	228,275
Deficit	1,050,928	692,142	17,625	25,251	82,391	54,283	10,181	1,206	167,849
Unrelated business income tax	266,421	155,543	5,942	7,252	19,025	12,100	1,422	5,168	59,970
Total tax	263,147	151,218	5,886	7,253	20,251	11,499	1,411	5,162	60,467

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

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

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

Figure F

Unrelated Business Income Tax Returns: Selected Items for Tax-Exempt Corporate and Trust Entities, Tax Years 2007, 2008, and 2009

[Money amounts are in thousands of dollars]

Item	2007 Type of entity			2008 Type of entity			2009 Type of entity		
	All	Corporations	Trusts	All	Corporations	Trusts	All	Corporations	Trusts
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Number of returns	45,069	34,708	10,361	42,066	34,089	7,977	42,469	33,619	8,850
Gross unrelated business income (UBI)	11,682,909	9,882,871	1,800,038	10,300,903	9,456,750	844,153	9,700,964	9,045,872	655,092
Total investment income [1]	3,067,541	1,443,069	1,624,472	1,674,016	908,832	718,183	1,394,316	829,791	564,525
Ratio of investment income to gross UBI (percentage)	26.3	14.6	90.2	15.8	9.6	85.1	14.4	9.2	86.2
Total deductions	10,254,953	9,575,530	679,423	10,218,223	9,767,613	450,610	9,821,097	9,376,749	444,347
Unrelated business taxable income (less deficit)	1,427,956	307,341	1,120,615	82,682	-310,862	393,542	-120,133	-330,878	210,745
Unrelated business taxable income	2,316,677	1,147,111	1,169,566	1,209,470	765,338	444,131	930,795	657,311	273,484
Deficit	888,721	839,770	48,951	1,126,788	1,076,200	50,589	1,050,928	988,189	62,739
Unrelated business income tax	598,568	348,930	249,638	340,721	225,850	114,871	266,421	192,050	74,372
Total tax	594,126	348,074	246,052	336,314	222,206	114,108	263,147	190,069	73,079

[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 section 501(c)(7),(9), and (17) organizations. Other types of tax-exempt organizations' investment income ordinarily are not taxed, unless the investments were purchased with borrowed funds, i.e., debt-financed.

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

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a decrease of 21 percent over the previous year. Of the \$1.4 billion in investment income reported for Tax Year 2009, corporate filers reported the majority, \$829.8 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 \$9.7 billion in gross unrelated business income reported by tax-exempt organizations for Tax Year 2009 represented a 6-percent decrease from Tax Year 2008. Total unrelated business income tax liability decreased even more, 22 percent, to \$266.4 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 2009. These organizations reported 65 percent of all gross unrelated business income for the year, claimed nearly 66 percent of deductions, and accounted for a little more than half of all unrelated business income tax liability.

Nearly 79 percent of all Tax Year 2009 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, investment income, total deductions, and unrelated business income tax for Tax Year 2009. Tax-exempt trusts accounted for larger proportions of 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 2009, the required reporting period for trust, defined in Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, and 530(a) was Calendar Year 2009, and the Form 990-T filing deadline was April 15, 2010. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2009 and, thus, ending between December 2009 and November 2010, for full-year return filers. The associated required due dates for filing Tax Year 2009 Forms 990-T generally fell between May 2010 to April 2011, 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 2009 study sample was drawn from Forms 990-T processed by IRS throughout Calendar Years 2010 and

2011. Because of the various accounting periods of the organizations filing a Tax Year 2009 return, the financial activities covered in this article span the period January 2009 through November 2010, although 56 percent of Form 990-T filers had Calendar Year 2009 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2009 Form 990-T records posted to the IRS Business Master File system during 2010 and 2011. Generally, returns filed after Calendar Year 2011 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 6,981 returns was selected from a population of 42,701. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 6,949 returns, and the estimated population size was 42,469. Rejected returns included those that had gross unrelated business income less than the \$1,000 filing threshold; were filed for a part-year 2009 accounting period, and a full-year 2009 return was also filed; or were filed for a part-year accounting period that began in a year other than 2009.

The Tax Year 2009 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, with sample rates ranging from 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

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sample, formed the “integrated” IRC section 501(c)(3) portion of the Form 990-T sample.⁴

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 through 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 G shows CVs for selected financial data

Figure G

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 2009

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions		Unrelated business taxable income (less deficit)		Unrelated business taxable income [1]		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	0.00	0.21	0.00	0.32	0.00	19.98	0.00	1.16	0.00	1.09
501(c)(2) Title-holding corporations for exempt organizations [2]	28.40	9.33	28.40	8.88	30.42	45.01	35.69	25.93	35.69	15.59
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	2.73	0.32	2.73	0.38	3.10	7.06	5.07	1.27	5.03	1.08
501(c)(4) Civic leagues and social welfare organizations	11.54	1.93	11.54	2.16	13.31	119.82	21.64	7.13	21.53	4.16
501(c)(5) Labor, agricultural, and horticultural organizations	9.85	4.41	9.85	4.76	10.97	158.18	14.94	9.36	14.94	8.42
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5.93	1.77	5.94	1.96	6.88	47.95	10.56	4.49	10.34	3.40
501(c)(7) Social and recreational clubs	5.75	3.04	5.82	3.64	6.50	403.18	8.06	8.05	8.22	7.91
501(c)(8) Fraternal beneficiary societies and associations	13.98	9.37	13.98	9.81	15.54	101.24	20.70	19.78	20.70	19.13
501(c)(9) Voluntary employees' beneficiary associations	16.78	1.51	16.78	2.28	21.09	4.21	23.22	2.88	23.14	3.46
501(c)(10) Domestic fraternal beneficiary societies and associations	42.58	24.38	42.59	23.43	48.16	55.92	76.48	60.37	76.55	56.28
401(a) Qualified pension, profit-sharing, or stock bonus plans	22.02	6.64	22.72	8.59	22.74	299.01	27.02	8.37	26.38	8.24
408(e) Traditional Individual Retirement Arrangements	5.54	11.88	5.54	13.56	6.11	19.06	5.76	17.79	5.79	21.65
Other [3]	7.17	2.61	7.19	3.34	7.81	16.71	12.51	8.79	12.83	6.86

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

[2] 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.

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

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

⁴ 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*.

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/uac/SOI-Tax-Stats-SOI-Bulletins>.

Explanation of Selected Terms

This section provides definitions to help the reader understand the terms contained in the article and in Tables 1 through 8, 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 C.

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.

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.

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

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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.

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.

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.

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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	\$2,300	+ 15%	\$ 0
2,300	5,350	\$345 + 25%	2,300
5,350	8,200	1,107.50 + 28%	5,350
8,200	11,150	1,905.50 + 33%	8,200
11,150	—	2,879 + 35%	11,150

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.

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Table 1. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income, Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2009

[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	42,469	9,700,964	42,086	9,821,097	33,266	-120,133
220(e) Archer Medical Savings Accounts	d	d	d	d	d	d
401(a) Qualified pension, profit-sharing, or stock bonus plans	389	80,583	350	78,770	352	1,813
408(e) Traditional Individual Retirement Accounts	7,025	36,342	6,994	17,352	5,694	18,991
408(A) Roth Individual Retirement Accounts	351	6,420	351	1,839	351	4,580
501(c)(2) Title-holding corporations for exempt organizations [6]	313	35,584	313	37,635	274	-2,051
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,169	6,313,123	14,078	6,499,786	10,916	-186,663
501(c)(4) Civic leagues and social welfare organizations	1,466	494,826	1,466	491,797	1,014	3,029
501(c)(5) Labor, agricultural, and horticultural organizations	2,084	248,036	2,084	245,404	1,737	2,631
501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,417	922,867	5,386	936,812	3,961	-13,945
501(c)(7) Social and recreational clubs	5,890	549,272	5,731	551,590	4,639	-2,318
501(c)(8) Fraternal beneficiary societies and associations	1,242	69,338	1,242	67,257	1,019	2,081
501(c)(9) Voluntary employees' beneficiary associations	509	411,579	509	279,007	329	132,572
501(c)(10) Domestic fraternal beneficiary societies and associations	107	12,641	107	13,035	87	-394
501(c)(11) Teachers' retirement fund associations	0	0	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	269	82,106	269	73,904	237	8,202
501(c)(13) Cemetery companies	103	6,298	103	8,423	77	-2,125
501(c)(14) State-chartered credit unions	1,219	251,294	1,219	328,873	1,038	-77,578
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	1,874	171,214	1,842	173,498	1,504	-2,284
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	d	d	d	d	d	d
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	d	d	d	d	d	d
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.

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Table 1. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income, Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2009—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	19,368	930,795	19,189	263,147
220(e) Archer Medical Savings Accounts	d	d	d	d
401(a) Qualified pension, profit-sharing, or stock bonus plans	278	43,176	286	14,405
408(e) Traditional Individual Retirement Accounts	5,392	20,197	5,329	5,162
408(A) Roth Individual Retirement Accounts	288	4,840	288	1,507
501(c)(2) Title-holding corporations for exempt organizations [6]	211	2,698	211	673
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	5,043	505,479	4,971	151,218
501(c)(4) Civic leagues and social welfare organizations	377	20,654	379	5,886
501(c)(5) Labor, agricultural, and horticultural organizations	978	27,882	978	7,253
501(c)(6) Business leagues, chambers of commerce, and real estate boards	1,722	68,446	1,803	20,251
501(c)(7) Social and recreational clubs	3,110	51,965	3,036	11,499
501(c)(8) Fraternal beneficiary societies and associations	589	7,432	589	1,525
501(c)(9) Voluntary employees' beneficiary associations	266	147,328	267	36,320
501(c)(10) Domestic fraternal beneficiary societies and associations	5	295	5	52
501(c)(11) Teachers' retirement fund associations	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	199	12,945	193	3,336
501(c)(13) Cemetery companies	32	176	32	26
501(c)(14) State-chartered credit unions	224	9,034	225	2,537
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	621	7,897	566	1,411
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	d	d	d	d
501(c)(25) Title-holding companies with no more than 35 shareholders	0	0	0	0
501(c)(26) High-risk health insurance plans	d	d	d	d
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 taxpayers. 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 9,203 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 \$1.1 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/uac/SOI-Tax-Stats—Exempt-Organizations'-Unrelated-Business-Income-\(UBI\)-Tax-Statistics](http://www.irs.gov/uac/SOI-Tax-Stats—Exempt-Organizations'-Unrelated-Business-Income-(UBI)-Tax-Statistics)).

Source: IRS, Statistics of Income Division, October 2012.

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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 2009

[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	42,469	9,700,964	42,086	9,821,097	33,266	-120,133	19,368	930,795	19,189	263,147
\$1,000 under \$10,001 [6]	19,072	72,638	18,780	82,237	14,631	-9,599	10,570	18,293	10,507	3,252
\$10,001 under \$100,000 [6]	13,996	607,491	13,912	646,944	11,188	-39,453	5,505	96,497	5,373	17,092
\$100,000 under \$500,000	6,504	1,411,079	6,498	1,493,000	5,162	-81,921	2,263	145,146	2,255	37,164
\$500,000 under \$1,000,000	1,343	933,573	1,343	957,385	1,052	-23,812	492	86,403	483	25,760
\$1,000,000 under \$5,000,000	1,245	2,531,749	1,245	2,573,737	982	-41,989	428	257,158	448	77,386
\$5,000,000 or more	308	4,144,434	308	4,067,793	251	76,640	110	327,298	123	102,493

[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 9,203 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 \$1.1 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.

Source: IRS, Statistics of Income Division, October 2012.

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Table 3. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income, Total Deductions, Unrelated Business Taxable Income (Less Deficit), and Total Tax, by Size of Unrelated Business Taxable Income or Deficit, Tax Year 2009

[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	42,469	9,700,964	42,086	9,821,097	33,266	-120,133	19,189	263,147
Deficit	13,898	4,458,192	13,898	5,509,120	13,989	-1,050,928	82	621
Zero [4]	9,203	1,909,854	9,203	1,909,854	[4] 0	[4] 0	156	993
\$1 under \$1,000	5,382	68,455	5,382	66,085	5,382	2,369	5,219	355
\$1,000 under \$10,000	8,279	269,318	7,987	239,437	8,279	29,881	8,180	4,713
\$10,000 under \$100,000	4,610	771,418	4,525	620,150	4,610	151,268	4,465	27,148
\$100,000 under \$500,000	776	657,938	769	494,094	776	163,844	772	50,550
\$500,000 under \$1,000,000	161	437,895	161	327,909	161	109,986	159	34,686
\$1,000,000 or more	160	1,127,895	160	654,448	160	473,447	156	144,081

[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 \$1.1 million.

[4] The Zero category includes 9,203 returns with equal amounts of gross unrelated business income and total deductions.

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

Source: IRS, Statistics of Income Division, October 2012.

Unrelated Business Income Tax Returns, 2009

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Table 4. Unrelated Business Income Tax 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 2009

[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	19,368	3,332,918	18,985	2,402,123	930,795	18,951	261,534
\$1,000 under \$10,001 [4]	10,570	34,910	10,279	16,617	18,293	10,379	2,890
\$10,001 under \$100,000 [4]	5,505	242,878	5,420	146,382	96,497	5,364	17,089
\$100,000 under \$500,000	2,263	495,824	2,256	350,679	145,146	2,212	36,978
\$500,000 under \$1,000,000	492	343,602	492	257,199	86,403	469	25,643
\$1,000,000 under \$5,000,000	428	858,902	428	601,744	257,158	419	77,062
\$5,000,000 or more	110	1,356,802	110	1,029,503	327,298	108	101,872
TAX-EXEMPT CORPORATIONS							
Total	12,810	2,963,728	12,497	2,306,417	657,311	12,464	188,658
\$1,000 under \$10,001 [4]	4,763	19,872	4,534	9,871	10,001	4,635	1,471
\$10,001 under \$100,000 [4]	5,054	225,333	4,970	144,719	80,614	4,917	12,631
\$100,000 under \$500,000	2,083	452,854	2,083	342,375	110,479	2,032	26,037
\$500,000 under \$1,000,000	445	309,274	445	248,481	60,794	422	18,526
\$1,000,000 under \$5,000,000	368	732,047	368	567,925	164,122	363	53,963
\$5,000,000 or more	97	1,224,347	97	993,046	231,301	95	76,029
TAX-EXEMPT TRUSTS							
Total	6,558	369,190	6,488	95,706	273,484	6,488	72,876
\$1,000 under \$10,001 [4]	5,808	15,037	5,744	6,746	8,291	5,744	1,418
\$10,001 under \$100,000 [4]	451	17,546	451	1,663	15,883	448	4,457
\$100,000 under \$500,000	180	42,970	173	8,303	34,667	180	10,941
\$500,000 under \$1,000,000	47	34,328	47	8,718	25,609	47	7,117
\$1,000,000 under \$5,000,000	60	126,855	60	33,818	93,036	56	23,099
\$5,000,000 or more	13	132,455	13	36,457	95,997	13	25,843

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting positive unrelated business taxable income, cost of sales and services was \$9.2 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 positive unrelated business taxable income, total proxy tax was \$1.1 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.

Source: IRS, Statistics of Income Division, October 2012.

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Table 5. Unrelated Business Income Tax Returns: Number of Returns, Gross Unrelated Business Income, 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 2009

[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]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All activities and groupings	42,469	9,700,964	42,086	9,821,097	33,266	-120,133	19,368	930,795	19,189	263,147
Agriculture, forestry, hunting, and fishing	261	29,297	261	22,940	188	6,357	113	11,356	82	3,822
Mining	444	34,203	444	26,604	410	7,600	309	13,541	308	3,201
Utilities	27	19,858	27	18,765	* 19	* 1,094	* 11	* 2,236	* 11	* 686
Construction	60	68,449	60	66,913	* 45	* 1,536	* 41	* 1,665	* 35	* 391
Manufacturing	118	45,715	112	38,913	78	6,802	53	13,943	53	4,951
Wholesale trade	76	18,061	76	8,202	76	9,859	72	10,102	70	2,200
Retail trade	1,365	769,147	1,365	769,628	1,157	-481	439	64,184	444	20,887
Transportation and warehousing	d	d	d	d	d	d	d	d	d	d
Information	590	164,152	590	164,379	375	-228	163	15,541	162	4,597
Finance and insurance, total	13,177	1,484,636	13,050	1,354,585	10,476	130,052	8,492	354,587	8,421	95,041
Unrelated debt-financed activities, other than rental of real estate	855	100,350	855	92,702	766	7,648	598	22,041	594	5,503
Investment activities of Code section 501(c)(7), (9), and (17) organizations [6]	2,727	454,410	2,663	313,533	2,006	140,877	1,752	151,052	1,736	35,181
Passive income activities with controlled organizations	194	166,659	194	169,416	135	-2,757	88	33,865	97	10,312
Other finance and insurance	9,401	763,217	9,338	778,934	7,569	-15,716	6,054	147,629	5,994	44,045
Real estate and rental and leasing, total	8,157	981,513	8,124	1,025,385	7,045	-43,872	3,900	108,075	3,901	29,044
Rental of personal property	617	55,617	617	61,566	553	-5,949	336	5,834	338	1,419
Other real estate and rental and leasing	7,540	925,896	7,507	963,819	6,492	-37,923	3,564	102,241	3,563	27,625
Professional, scientific, and technical services	8,018	1,955,500	7,987	2,001,459	5,588	-45,959	2,255	111,409	2,350	32,469
Management of companies and enterprises	d	d	d	d	d	d	d	d	d	d
Administrative and support and waste management and remediation services	742	564,975	742	594,312	487	-29,337	171	15,587	179	4,712
Educational services	29	39,349	29	45,182	24	-5,833	* 11	* 3,114	* 11	* 1,030
Healthcare and social assistance	950	1,884,541	950	1,865,751	736	18,790	350	135,337	373	44,916
Arts, entertainment, and recreation	4,163	826,273	4,005	927,943	3,103	-101,670	1,463	21,834	1,362	4,262
Accommodation and food services	3,087	597,827	3,060	674,793	2,463	-76,966	922	22,597	885	4,700
Other services	652	113,732	652	119,230	543	-5,498	312	7,846	254	1,741
Exploited exempt activities	239	77,995	239	79,561	188	-1,567	113	5,437	113	1,631
Other activity	177	8,458	177	5,754	138	2,703	128	2,787	128	815
Not allocable	d	d	d	d	d	d	d	d	d	d

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

d—Data were deleted to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$2.4 billion.

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

[3] Excludes data from 9,203 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 \$1.1 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.

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Table 6. Unrelated Business Income Tax Returns: Sources of Gross Unrelated Business Income, by Size of Gross Unrelated Business Income, Tax Year 2009

[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		Capital gain net income		Net capital loss (trusts only)		Net gain (less loss), sales of noncapital assets [2]	
	Number of returns	Amount	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	42,469	9,700,964	15,987	5,975,602	1,083	93,670	310	870	244	2,001
\$1,000 under \$10,001 [1]	19,072	72,638	3,563	15,893	384	941	* 127	* 322	* 35	* -43
\$10,001 or more, total [1]	23,396	9,628,326	12,424	5,959,710	699	92,729	183	548	209	2,044
\$10,001 under \$100,000	13,996	607,491	6,418	248,508	377	9,305	**	**	** 120	** 240
\$100,000 under \$500,000	6,504	1,411,079	3,977	767,030	195	18,142	52	157	69	-72
\$500,000 under \$1,000,000	1,343	933,573	908	534,133	40	12,689	23	69	31	472
\$1,000,000 under \$5,000,000	1,245	2,531,749	882	1,568,042	67	40,140	32	93	48	1,426
\$5,000,000 or more	308	4,144,434	239	2,841,997	20	12,453	**	**	** 17	** 207

Size of gross unrelated business income	Sources of gross unrelated business income—continued							
	Income (less loss) from partnerships and S corporations		Rental income [3]		Unrelated debt-financed income		Investment income (less loss) [4]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	9,235	324,512	4,910	335,553	4,026	572,581	4,722	403,553
\$1,000 under \$10,001 [1]	6,995	17,156	1,441	7,576	1,453	6,592	2,344	7,335
\$10,001 or more, total [1]	2,240	307,357	3,469	327,978	2,574	565,989	2,378	396,217
\$10,001 under \$100,000	1,202	28,831	2,249	66,737	1,530	52,904	1,151	15,041
\$100,000 under \$500,000	504	34,241	889	92,468	723	113,804	902	49,094
\$500,000 under \$1,000,000	165	21,364	157	50,314	135	56,767	210	35,039
\$1,000,000 under \$5,000,000	250	68,967	141	69,898	141	149,816	96	101,824
\$5,000,000 or more	119	153,954	33	48,561	45	192,698	19	195,219

Size of gross unrelated business income	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	739	102,380	975	196,541	7,886	1,155,527	5,655	539,913
\$1,000 under \$10,001 [1]	192	515	170	924	2,957	12,474	1,360	3,598
\$10,001 or more, total [1]	547	101,865	802	195,618	4,930	1,143,053	4,295	536,317
\$10,001 under \$100,000	231	9,679	377	12,898	3,002	101,108	2,554	62,661
\$100,000 under \$500,000	173	16,132	226	24,864	1,292	201,271	1,190	94,263
\$500,000 under \$1,000,000	43	8,221	87	26,424	301	133,865	247	54,355
\$1,000,000 under \$5,000,000	77	40,507	94	64,627	273	270,333	244	156,264
\$5,000,000 or more	23	27,326	21	66,805	62	436,476	60	168,774

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

** 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.

Source: IRS, Statistics of Income Division, October 2012.

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Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income, Tax Year 2009

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

Item	Size of gross unrelated business income					
	All		\$1,000 under \$10,001 [3]		\$10,001 under \$100,000 [3]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	42,469	N/A	19,072	N/A	13,996	N/A
Total deductions [1,2]	42,086	9,821,097	18,780	82,237	13,912	646,944
Organizations with gross unrelated business income of \$1,000 under \$10,001 [3]:						
Total deductions [2,4]	18,780	82,237	18,780	82,237	N/A	N/A
Net operating loss deduction	2,443	6,019	2,443	6,019	N/A	N/A
Specific deduction	11,855	11,176	11,855	11,176	N/A	N/A
Organizations with gross unrelated business income of \$10,001 or more [3]:						
Total deductions [2,5]	23,305	9,738,860	N/A	N/A	13,912	646,944
Deductions directly connected with UBI	22,140	9,179,399	N/A	N/A	12,984	615,052
Allocable to rental income [6]	2,105	235,654	N/A	N/A	1,373	40,187
Allocable to unrelated debt-financed income [6]	2,359	569,284	N/A	N/A	1,382	63,821
Allocable to investment income [6,7]	710	30,278	N/A	N/A	* 147	* 3,377
Allocable to income from controlled organizations [6]	335	79,307	N/A	N/A	146	5,562
Allocable to exploited exempt-activity income, except advertising [6]	715	161,932	N/A	N/A	365	10,957
Direct advertising costs [6]	4,310	861,524	N/A	N/A	2,576	72,712
Compensation of officers, directors, and trustees	1,714	52,963	N/A	N/A	790	12,536
Salaries and wages	10,364	1,923,068	N/A	N/A	4,894	125,909
Repairs and maintenance	7,129	135,756	N/A	N/A	3,577	19,427
Bad debts	814	38,942	N/A	N/A	259	393
Interest	2,680	91,736	N/A	N/A	1,162	9,312
Taxes and licenses paid deduction	10,067	181,830	N/A	N/A	5,190	22,540
Depreciation	6,883	280,610	N/A	N/A	2,959	20,110
Depletion	137	36,713	N/A	N/A	* 86	* 260
Contributions to deferred compensation plans	1,092	19,721	N/A	N/A	270	419
Contributions to employee benefit programs	5,166	433,922	N/A	N/A	1,815	8,195
Net operating loss deduction	3,140	189,421	N/A	N/A	1,735	16,365
Other deductions	14,154	3,856,740	N/A	N/A	7,384	182,972
Deductions not directly connected with UBI	11,463	559,461	N/A	N/A	6,990	31,891
Specific deduction	9,463	9,225	N/A	N/A	6,016	5,671
Charitable contributions	1,896	72,271	N/A	N/A	** 1,056	** 2,735
Set-asides [7]	227	214,774	N/A	N/A	**	**
Excess exempt-activity expenses [8]	2,269	263,191	N/A	N/A	1,248	23,486

Footnotes at end of table.

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Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income, Tax Year 2009—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	6,504	N/A	1,343	N/A	1,245	N/A	308	N/A
Total deductions [1,2]	6,498	1,493,000	1,343	957,385	1,245	2,573,737	308	4,067,793
Organizations with gross unrelated business income 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 of \$10,001 or more [3]:								
Total deductions [2,5]	6,498	1,493,000	1,343	957,385	1,245	2,573,737	308	4,067,793
Deductions directly connected with UBI	6,320	1,423,018	1,317	903,120	1,221	2,447,699	297	3,790,509
Allocable to rental income [6]	522	72,799	91	37,374	94	48,364	25	36,930
Allocable to unrelated debt-financed income [6]	675	122,906	131	59,862	130	147,119	40	175,576
Allocable to investment income [6,7]	383	4,599	123	3,960	51	13,301	* 6	* 5,041
Allocable to income from controlled organizations [6]	89	11,666	32	7,311	51	30,510	17	24,259
Allocable to exploited exempt-activity income, except advertising [6]	171	18,970	74	20,977	86	58,699	20	52,328
Direct advertising costs [6]	1,141	149,953	282	98,011	254	201,260	57	339,589
Compensation of officers, directors, and trustees	620	15,462	159	8,335	114	11,605	31	5,026
Salaries and wages	3,682	330,782	793	207,776	790	548,724	205	709,887
Repairs and maintenance	2,430	29,684	498	15,519	489	30,593	135	40,534
Bad debts	243	991	92	1,318	157	11,280	64	24,961
Interest	1,018	17,613	224	7,484	218	28,121	58	29,207
Taxes and licenses paid deduction	3,375	50,733	709	25,343	619	36,954	174	46,259
Depreciation	2,588	61,032	595	36,367	576	88,557	165	74,543
Depletion	* 30	* 2,533	* 9	* 963	* 8	* 21,616	* 5	* 11,341
Contributions to deferred compensation plans	520	2,093	166	1,820	112	5,387	24	10,002
Contributions to employee benefit programs	2,073	33,707	530	25,597	582	101,363	166	265,060
Net operating loss deduction	902	33,456	211	21,984	230	50,426	62	67,189
Other deductions	4,517	464,039	1,014	323,131	983	1,013,819	256	1,872,779
Deductions not directly connected with UBI	3,081	69,982	655	54,265	582	126,038	155	277,284
Specific deduction	2,389	2,516	505	490	442	436	111	111
Charitable contributions	513	8,330	** 175	** 20,853	156	15,633	60	40,796
Set-asides [7]	127	18,598	**	**	26	37,804	11	142,296
Excess exempt-activity expenses [8]	645	40,537	170	32,922	165	72,165	41	94,081

* 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.

[4] Excludes \$80.1 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 \$2.34 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.

Source: IRS, Statistics of Income Division, October 2012.

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Table 8. Unrelated Business Income Tax Returns for 501(c)(3) Organizations: Number of Returns, Gross Unrelated Business Income, 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 2009

[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]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All activities and groupings	14,169	6,313,123	14,078	6,499,786	10,916	-186,663	5,043	505,479	4,971	151,218
Agriculture, forestry, hunting, and fishing	159	20,214	159	18,850	149	1,364	106	6,263	74	2,058
Mining	191	27,472	191	23,389	158	4,082	139	9,654	138	2,150
Utilities	d	d	d	d	d	d	d	d	d	d
Construction	d	d	d	d	d	d	d	d	d	d
Manufacturing	73	31,892	73	35,530	65	-3,638	44	3,500	44	1,007
Wholesale trade	13	12,205	13	6,601	13	5,604	10	5,847	8	1,098
Retail trade	946	736,464	946	733,440	778	3,024	299	61,922	304	20,377
Transportation and warehousing	57	3,147	57	2,826	51	320	8	819	8	277
Information	271	110,051	271	112,225	220	-2,174	78	9,336	78	2,990
Finance and insurance, total	1,441	423,564	1,409	384,594	1,151	38,970	902	101,881	870	29,905
Unrelated debt-financed activities, other than rental of real estate	367	80,986	367	81,784	341	-798	229	12,258	225	2,902
Passive income activities with controlled organizations	137	122,484	137	101,997	92	20,487	76	26,368	78	7,557
Other finance and insurance	937	220,094	905	200,813	718	19,281	597	63,255	567	19,446
Real estate and rental and leasing, total	4,096	719,919	4,063	774,925	3,242	-55,008	1,294	70,650	1,297	19,652
Rental of personal property	305	45,360	305	50,380	249	-5,021	131	5,183	133	1,318
Other real estate and rental and leasing	3,791	674,559	3,758	724,545	2,993	-49,987	1,163	65,467	1,164	18,334
Professional, scientific, and technical services	3,064	977,518	3,064	1,014,375	2,038	-36,856	766	52,605	779	15,250
Management of companies and enterprises	d	d	d	d	d	d	d	d	d	d
Administrative and support and waste management and remediation services	300	436,260	300	460,450	209	-24,190	64	11,723	73	3,621
Educational services	d	d	d	d	d	d	d	d	d	d
Healthcare and social assistance	943	1,871,352	943	1,854,675	731	16,677	346	132,973	368	44,107
Arts, entertainment, and recreation	1,027	433,394	1,027	508,698	768	-75,304	327	7,218	329	1,584
Accommodation and food services	855	305,746	828	359,584	747	-53,838	316	9,934	319	2,149
Other services	486	102,737	486	108,140	418	-5,402	228	6,854	169	1,550
Exploited exempt activities	75	35,730	75	39,583	62	-3,853	20	1,578	20	419
Other activity	80	4,405	80	3,747	41	658	* 38	* 710	* 38	* 224
Not allocable	d	d	d	d	d	d	d	d	d	d

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

d—Data were deleted to prevent disclosure of individual taxpayer data. However, the data are included in the appropriate totals.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was \$2.4 billion.

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

[3] Excludes data from 9,203 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 \$1.1 million.

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

Source: IRS, Statistics of Income Division, October 2012.