

Data Release

Tax-exempt Organization Business Income Tax Return Statistics for 1987

For 1987, 22,758 tax-exempt organizations, 2.5 percent of the total, reported \$2.5 billion of gross income from business activities that were unrelated to their exempt purposes. Total deductions taken against this income amounted to \$2.9 billion. Fifty-six percent of the organizations required to file Form 990-T, *Exempt Organization Business Income Tax Return*, were able to claim enough deductions to fully offset their unrelated business gross income (UBI). The remaining 44 percent reported \$283 million of unrelated business taxable income (UBTI) that was subject to an unrelated business income tax of \$83 million.

Over 19,000 organizations (84 percent of the total) reported UBI between \$1,000 (the filing threshold) and \$100,000. Although fewer than 750 organizations (3 percent) reported UBI of \$500,000 or more, these organizations accounted for 57 percent of total UBI and 68 percent of total tax.

About 85 percent of total UBI was reported by organizations granted tax-exemptions under Internal Revenue Code section 501(c), subsections (3), (6), (7), and (9). Religious, educational, charitable, scientific and literary organizations (section 501(c)(3)) were the largest single category, accounting for over one-fourth of all organizations and almost half of total UBI. The total tax they reported was about one-fourth of the total. Business leagues, chambers of commerce and real estate boards (section 501(c)(6)) represented the second largest category, with one-fifth of total UBI. Social and recreational clubs (section 501(c)(7)) reported less than 10 percent of total UBI. Employees' beneficiary associations exempt under section 501(c)(9), although accounting for fewer than 675 organizations (3 percent of the total), reported the highest percentage of tax liability, totalling \$29 million (35 percent of the total).

The tables on the following pages provide 1987 statistics on exempt organization business income tax returns by Internal Revenue Code section or subsection. The appendix following the tables provides general descriptions of the types of organizations covered by these sections or subsections. The data presented represent revisions to the preliminary estimates contained in the *Statistics of Income Compendium of Studies of Tax-Exempt Organizations, 1974-87*. (More information about this *Compendium* is contained in the description of Statistics of Income Division publications and tapes, at the beginning of this issue of the *Statistics of Income Bulletin*.) More comprehensive data for 1987, together with an analysis, explanations of technical terms used and of the sample on which the data were based, will be included in a future article, authored by Sara Boroshok, in the *Bulletin*. That article will also include data and other information for 1988.

Tax-exempt Organizations, 1987

Table 1.--Organizations with Gross Unrelated Business Income (UBI) of \$1,000 or More: Number of Returns, Gross UBI, Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Internal Revenue Code Section

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

Internal Revenue Code section	Number of returns	Percentage of total	Gross UBI ¹		Total deductions		Unrelated business taxable income	Total tax	
			Amount	Percentage of total	Amount	Percentage of total	Amount	Amount	Percentage of total
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
All sections, total.....	22,758	100	2,478,225	100	2,907,309	100	-427,657	82,877	100
401 (a).....	561	2	24,768	1	22,720	1	2,127	2,079	3
408 (e).....	364	2	3,253	(²)	1,324	(²)	1,929	560	1
501 (c), total.....	21,772	96	2,448,141	99	2,881,836	99	-432,347	80,110	97
2.....	170	1	13,427	1	16,448	1	-2,990	501	1
3.....	6,042	27	1,148,482	46	1,439,517	50	-290,384	20,942	25
4.....	1,143	5	78,440	3	87,637	3	-6,664	1,486	2
5.....	2,487	11	126,902	5	171,692	6	-47,597	1,074	1
6.....	3,801	17	503,649	20	538,321	19	-35,006	16,986	20
7.....	4,890	21	222,531	9	303,885	10	-80,264	8,018	10
8.....	861	4	32,219	1	37,135	1	-4,855	525	1
9.....	672	3	235,644	10	182,139	6	53,505	28,911	35
10.....	467	2	17,405	1	20,452	1	-3,030	155	(²)
11.....	19	(²)	183	(²)	281	(²)	-98	--	(²)
12.....	139	1	6,054	(²)	4,664	(²)	1,390	316	(²)
13.....	40	(²)	576	(²)	9,217	(²)	-8,628	--	(²)
14.....	79	(²)	8,760	(²)	13,828	(²)	-5,068	76	(²)
15.....	--	--	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--	--	--
17.....	27	(²)	1,622	(²)	790	(²)	833	311	(²)
18.....	103	(²)	2,322	(²)	2,120	(²)	207	294	(²)
19.....	789	3	48,431	2	52,008	2	-3,490	476	1
20.....	--	--	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--	--	--
22.....	19	(²)	71	(²)	19	(²)	52	6	(²)
23.....	44	(²)	1,422	(²)	1,683	(²)	-261	31	(²)
24.....	--	--	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--	--	--
501 (d).....	10	(²)	417	(²)	174	(²)	243	67	(²)
501 (e).....	5	(²)	380	(²)	229	(²)	150	23	(²)
501 (f).....	--	--	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--	--	--
Not allocable.....	46	(²)	1,266	(²)	1,026	(²)	240	39	(²)

¹ In general, gross unrelated business income less total deductions equal unrelated business taxable income. However, gross unrelated business taxable income is slightly understated due to reporting inconsistencies on the tax return form. If deductions exceed gross UBI, then unrelated business taxable income is negative.

² Less than 0.5 percent.

Note: Detail may not add to totals due to rounding.

Table 2.—Organizations with Gross Unrelated Business Income (UBI) of \$1,000 or More: Components of Gross UBI , by Internal Revenue Code Section

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

Internal Revenue Code section	Gross UBI		Components of gross UBI for returns with gross UBI over \$10,000				
	Total returns	Returns with gross UBI of \$10,000 or less	Gross profit (less loss)	Capital gain net income (less loss)	Net gain (less loss) from Form 4797 ¹	Capital loss deduction for trusts	Income (less loss) from partnerships
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All sections, total.....	2,478,225	38,442	881,295	48,461	1,133	-133	6,666
401 (a).....	24,768	1,480	468	3,078	7	--	934
408 (e).....	3,253	867	109	--	--	-16	626
501 (c), total.....	2,448,141	36,058	879,839	43,234	1,145	-118	5,105
2.....	13,427	469	202	3	--	--	365
3.....	1,148,482	9,484	522,155	11,810	792	--	4,207
4.....	78,440	1,168	50,193	476	84	--	-4
5.....	126,902	4,431	25,942	--	1	--	-184
6.....	503,649	4,412	70,594	17,173	195	--	406
7.....	222,531	10,422	137,460	8,131	104	--	(?)
8.....	32,219	1,764	17,017	--	-14	--	--
9.....	235,644	730	843	5,142	-15	-103	218
10.....	17,405	949	11,090	--	--	--	--
11.....	183	183	--	--	--	--	--
12.....	6,054	279	1,992	--	--	--	--
13.....	576	150	183	--	--	--	--
14.....	8,760	95	3,215	--	--	--	--
15.....	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--
17.....	1,622	--	363	--	-3	--	--
18.....	2,322	210	421	428	--	-15	97
19.....	48,431	1,240	36,909	70	(?)	--	--
20.....	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--
22.....	71	71	--	--	--	--	--
23.....	1,422	--	1,260	--	--	--	--
24.....	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--
501 (d).....	417	--	267	150	--	--	--
501 (e).....	380	--	359	--	-19	--	--
501 (f).....	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--
Not allocable.....	1,266	35	253	--	--	--	--

Internal Revenue Code section	Components of gross UBI for returns with gross UBI over \$10,000--Continued						
	Rental income (less loss) ²	Reportable unrelated debt-financed income	Investment income of a section 501(c) (7), (9), (17), or (20) organization	Reportable income from controlled organizations	Exploited exempt activity income ⁴	Advertising income	Other income (less loss)
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All sections, total.....	76,089	269,508	259,306	18,900	72,819	529,863	277,877
401 (a).....	660	17,403	--	--	--	--	738
408 (e).....	122	1,545	--	--	--	--	--
501 (c), total.....	74,831	250,560	259,306	18,900	72,819	529,402	277,059
2.....	3,942	8,141	--	--	--	--	305
3.....	34,753	212,529	--	10,390	56,095	190,500	95,767
4.....	1,332	4,411	--	284	368	16,792	3,335
5.....	2,038	5,608	--	2,234	1,436	29,023	56,374
6.....	15,070	15,057	--	3,388	12,045	280,496	84,812
7.....	10,123	--	40,783	254	--	--	15,256
8.....	2,734	603	--	571	656	3,765	5,123
9.....	1,201	--	217,523	--	--	--	10,104
10.....	2,478	213	--	39	1,043	1,017	577
11.....	--	--	--	--	--	--	--
12.....	--	--	--	275	690	2,561	258
13.....	--	--	--	--	--	--	242
14.....	892	2,438	--	1,458	--	--	663
15.....	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--
17.....	--	--	1,000	--	--	--	262
18.....	--	1,048	--	--	--	--	132
19.....	241	513	--	8	486	5,248	3,714
20.....	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--
22.....	--	--	--	--	--	--	--
23.....	27	--	--	--	--	--	135
24.....	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--
501 (d).....	--	--	--	--	--	--	--
501 (e).....	39	--	--	--	--	--	--
501 (f).....	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--
Not allocable.....	437	--	--	--	--	461	80

¹ Gains or losses from sales or exchanges of assets used in trade or business, and involuntary conversions.

² Less than \$500.

³ From real property and personal property leased with real property.

⁴ Other than advertising income.

Note: Detail may not add to totals due to rounding.

Tax-exempt Organizations, 1987

Table 3.—Organizations with Gross Unrelated Business Income (UBI) of \$1,000 or More: Deductions, by Internal Revenue Code Section

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

Internal Revenue Code section	Total deductions	Organizations with gross UBI of \$10,000 or less		Organizations with gross UBI over \$10,000				
		Total deductions ¹	Specific deduction	Total deductions	Deductions directly connected to UBI			
					Total	Deductions directly connected to rental income from—		Deductions allocable to unrelated debt-financed income
						Real property	Personal property leased with real property	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	
All sections, total	2,907,309	46,560	5,837	2,860,750	2,640,978	31,663	479	281,598
401 (a).....	22,720	1,319	388	21,401	21,265	291	--	19,736
408 (e).....	1,324	469	334	855	817	--	--	606
501 (c), total	2,881,836	44,751	5,095	2,837,085	2,617,816	31,361	479	261,256
2.....	16,448	257	87	16,191	16,119	5,989	--	7,789
3.....	1,439,517	13,321	1,047	1,426,196	1,390,632	9,042	446	212,477
4.....	87,637	1,623	201	86,014	78,537	242	--	5,980
5.....	171,692	5,346	436	166,346	164,541	1,199	--	6,855
6.....	538,321	7,919	434	530,402	487,517	13,370	--	22,791
7.....	303,885	10,127	2,198	293,758	287,899	--	--	--
8.....	37,135	1,894	196	35,241	34,498	1,368	33	327
9.....	182,139	306	114	181,833	60,664	--	--	--
10.....	20,452	1,557	94	18,895	18,420	85	--	56
11.....	281	281	--	--	--	--	--	--
12.....	4,664	347	38	4,317	4,182	--	--	--
13.....	9,217	165	19	9,052	9,051	--	--	--
14.....	13,828	10	10	13,818	13,808	--	--	3,591
15.....	--	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--	--
17.....	790	--	--	790	766	--	--	--
18.....	2,120	84	84	2,036	2,014	--	--	855
19.....	52,008	1,495	117	50,513	47,487	66	--	536
20.....	--	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--	--
22.....	19	19	19	--	--	--	--	--
23.....	1,683	--	--	1,683	1,682	--	--	--
24.....	--	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--	--
501 (d).....	174	--	--	174	163	--	--	--
501 (e).....	229	--	--	229	229	11	--	--
501 (f).....	--	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--	--
Not allocable.....	1,026	21	21	1,005	687	--	--	--

Internal Revenue Code section	Organizations with gross UBI over \$10,000--Continued							
	Deductions directly connected to UBI--Continued							
	Deductions directly related to investment income of section 501 (c)(7), (9), (17), or (20) organization	Deductions allocable to income from controlled organizations ¹	Expenses directly connected to exploited exempt activity income	Direct advertising costs	Compensation of officers, directors and trustees	Salaries and wages	Repairs	Bad debts
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
All sections, total	45,013	11,415	64,084	413,885	22,839	409,525	27,472	6,677
401 (a).....	--	--	--	--	--	--	14	--
408 (e).....	--	--	--	--	--	--	--	--
501 (c), total	45,013	11,415	64,084	413,735	22,819	409,362	27,409	6,676
2.....	--	--	--	--	--	257	5	34
3.....	--	5,829	50,696	146,147	9,074	208,748	14,436	5,915
4.....	--	142	142	15,531	203	12,011	1,779	31
5.....	--	1,656	1,429	22,284	2,354	25,923	729	22
6.....	--	2,412	10,044	218,571	9,399	51,559	1,325	406
7.....	3,003	--	--	--	350	83,041	5,841	171
8.....	--	421	317	2,934	217	9,133	846	8
9.....	41,946	--	--	--	428	294	643	14
10.....	--	--	953	1,542	446	5,484	695	--
11.....	--	--	--	--	--	--	--	--
12.....	--	122	413	1,504	--	1,146	--	--
13.....	--	--	--	--	286	442	7	--
14.....	--	953	--	--	--	1,976	--	1
15.....	--	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--	--
17.....	64	--	--	--	19	--	14	--
18.....	--	--	--	--	--	112	4	--
19.....	--	--	89	5,222	43	9,028	1,084	72
20.....	--	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--	--
22.....	--	--	--	--	--	--	--	--
23.....	--	--	--	--	--	207	--	--
24.....	--	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--	--
501 (d).....	--	--	--	--	--	27	9	--
501 (e).....	--	--	--	--	--	113	--	--
501 (f).....	--	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--	--
Not allocable.....	--	--	--	149	20	24	40	1

Footnotes at end of table.

Table 3.--Organizations with Gross Unrelated Business Income (UBI) of \$1,000 or More: Deductions, by Internal Revenue Code Section--Continued

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

Internal Revenue Code section	Organizations with gross UBI over \$10,000--Continued						
	Deductions directly connected to UBI--Continued						
	Interest	Taxes	Depreciation	Depletion	Contributions to deferred compensation plans	Contributions to employee benefit plans	Net operating loss
	(17)	(18)	(19)	(20)	(21)	(22)	(23)
All sections, total.....	23,167	57,529	70,376	1,282	5,240	30,193	451,622
401 (a).....	312	51	117	--	--	132	545
408 (e).....	--	17	--	--	--	--	132
501 (c), total.....	22,804	57,284	70,163	1,282	5,240	30,061	450,942
2.....	138	139	47	41	--	--	1,356
3.....	12,288	18,115	39,918	1,157	4,149	20,993	256,637
4.....	775	4,021	1,460	24	7	348	7,713
5.....	1,681	4,873	3,285	--	228	896	36,172
6.....	1,596	5,339	5,652	--	491	1,872	56,648
7.....	3,976	16,271	15,190	45	250	2,660	69,743
8.....	343	1,621	924	11	7	32	6,527
9.....	39	1,033	69	--	2	2,480	1,683
10.....	129	1,764	988	--	--	23	647
11.....	--	--	--	--	--	--	--
12.....	5	96	45	--	--	--	--
13.....	918	49	28	--	102	2	6,542
14.....	--	132	600	--	--	--	2,912
15.....	--	--	--	--	--	--	--
16.....	--	--	--	--	--	--	--
17.....	337	15	189	--	--	--	--
18.....	--	3	14	4	--	736	--
19.....	580	3,794	1,551	--	4	20	4,117
20.....	--	--	--	--	--	--	--
21.....	--	--	--	--	--	--	--
22.....	--	--	--	--	--	--	--
23.....	--	18	201	--	--	--	245
24.....	--	--	--	--	--	--	--
25.....	--	--	--	--	--	--	--
501 (d).....	--	90	--	--	--	--	--
501 (e).....	--	10	21	--	--	--	--
501 (f).....	--	--	--	--	--	--	--
521 (a).....	--	--	--	--	--	--	--
Not allocable.....	51	78	76	--	--	--	3

Internal Revenue Code section	Organizations with gross UBI over \$10,000--Continued							
	Deductions directly connected to UBI--Continued	Deductions not directly connected to UBI					Excess exempt expenses from--	
		Other	Total	Specific deduction	Contributions	Set-asides	Activities other than advertising	Advertising
	(24)	(25)	(26)	(27)	(28)	(29)	(30)	
All sections, total.....	686,919	219,772	6,370	17,274	123,932	269	71,928	
401 (a).....	68	137	136	1	--	--	--	
408 (e).....	63	38	38	--	--	--	--	
501 (c), total.....	686,431	219,269	6,179	17,274	123,932	269	71,616	
2.....	326	72	36	36	--	--	--	
3.....	374,566	35,564	1,579	4,690	--	16	29,279	
4.....	28,247	7,477	509	6,046	--	--	922	
5.....	54,953	1,805	707	231	--	39	829	
6.....	86,041	42,886	1,138	1,787	--	214	39,747	
7.....	87,357	5,859	1,439	419	4,001	--	--	
8.....	9,427	743	128	229	--	--	386	
9.....	12,033	121,169	234	1,004	119,931	--	--	
10.....	5,607	476	78	375	--	--	23	
11.....	--	--	--	--	--	--	--	
12.....	850	135	38	13	--	--	84	
13.....	675	1	1	--	--	--	--	
14.....	3,642	11	11	--	--	--	--	
15.....	--	--	--	--	--	--	--	
16.....	--	--	--	--	--	--	--	
17.....	129	24	24	--	--	--	--	
18.....	284	22	22	(*)	--	--	--	
19.....	21,282	3,026	236	2,444	--	--	346	
20.....	--	--	--	--	--	--	--	
21.....	--	--	--	--	--	--	--	
22.....	--	--	--	--	--	--	--	
23.....	1,010	1	1	--	--	--	--	
24.....	--	--	--	--	--	--	--	
25.....	--	--	--	--	--	--	--	
501 (d).....	37	11	11	--	--	--	--	
501 (e).....	75	--	--	--	--	--	--	
501 (f).....	--	--	--	--	--	--	--	
521 (a).....	--	--	--	--	--	--	--	
Not allocable.....	245	318	6	--	--	--	312	

* Income from controlled organizations represent annuities, interest, rents, and royalties.

(*) Less than \$500.

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

Appendix

Types of Exempt Organizations, by Internal Revenue Code Section

Code Section	Description of organization	General nature of activities
401(a).....	Qualified pension, profit sharing and stock bonus plans	Fiduciary agent for pensions, profit sharing and/or stock bonus plans
408(e).....	Individual Retirement Arrangements	Fiduciary agent for retirement funds
501(c)		
2...	Title holding corporation for an exempt organization	Holds title to property for an exempt organization
3...	Religious, educational, charitable, scientific, literary. Testing for public safety organizations. Also organizations preventing cruelty to children or animals, or fostering national or international amateur sports competition	Activities of a nature implied by description of the class of organization
4...	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare, charitable, educational or recreational activities
5...	Labor, agricultural and horticultural organizations	Educational or instructive the purpose being to improve products and efficiency
6...	Business leagues, chambers of commerce, real estate boards, etc.	Improvement of business conditions of one or more lines of business
7...	Social and recreational clubs	Pleasure, recreation, social activities
8...	Fraternal beneficiary societies and associations	Lodge providing for payment of life, sickness, accident or other benefits to members
9...	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Provides for payment of life, sickness, accident or other benefits to members
10...	Domestic fraternal societies and associations	Lodges, societies or associations devoting its net earnings to charitable, fraternal, and other specified purposes, without life, sickness or accident benefits to members
11...	Teachers' retirement fund associations	Teachers' fiduciary association for payment of retirement benefits
12...	Benevolent life insurance associations, mutual ditch or irrigation companies, mutual or cooperative telephone companies, etc.	Activities of a mutually beneficial nature similar to those implied by the description of class of organization
13...	Cemetery companies	Arranges for burials and incidental activities
14...	State chartered credit unions and mutual reserve funds	Provides loans to members (Tax exemptions for building and loan associations and cooperative banks repealed by Revenue Act of 1951, affecting all years after 1951)
15...	Mutual insurance companies or associations other than life, if written premiums for the year do not exceed \$350,000	Provides 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 trust (created before June 25, 1959)	Payment of benefits under a pension plan funded by employees
19...	Post or organization of past or present members of the Armed Forces	Activities implied by nature of organization
20...	Prepaid legal service funds	Legal services provided exclusively to employees
21...	Black Lung benefit trusts	Funded by coal mine operations to satisfy their liability for disability or death due to Black Lung disease
22...	Withdrawal liability payment fund	To provide funds to meet the liability of employers withdrawing from a multi-employer pension fund
23...	Associations of past or present members of the Armed Forces founded before 1880	To provide insurance and other benefits to veterans or their dependents
24...	Trusts described in Section 4049 of the Employee Retirement Income Security Act of 1974	Provides funds for employee retirement income
25...	Title holding corporations or trusts with no more than 35 shareholders or beneficiaries and only one class of stock or beneficial interest	Acquires real property and remits all income earned from such property to one or more exempt organizations, pension etc. plans, or governmental units
501(d).....	Religious and apostolic associations	Regular business activities, communal religious activities, community activities
501(e).....	Cooperative hospital service organizations	Performs cooperative services for exempt hospitals
501(f).....	Cooperative service organizations of operating educational organizations	Performs collective investment services for exempt educational organizations
521(a).....	Cooperative farmers' organizations	Markets products or purchases supplies for farmers' organizations