

Unrelated Business Income Tax Returns, 2010

by Jael Jackson

Gross unrelated business income reported by tax-exempt organizations on Form 990-T for Tax Year 2010 totaled \$9.9 billion and represented a 13-percent increase from Tax Year 2009. Total unrelated business income tax liability increased even more, 28 percent, to \$341.3 million. As in previous years, charitable organizations, tax exempt under Internal Revenue Code section 501(c)(3), made up the most common Form 990-T filers, representing more than one-third (34.9 percent) of all organizations that filed the return for Tax Year 2010. These organizations reported 65 percent of all gross unrelated business income for the year, claimed nearly 67 percent of deductions, and accounted for a little more than half (58 percent) of all unrelated business income tax liability. Filers classified as corporations, whose returns comprised nearly 78 percent of all Tax Year 2010 Forms 990-T, reported the majority of gross unrelated business income, investment income, total deductions, and unrelated business income tax for the year.

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 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*, 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 2010, some 43,184 tax-exempt organizations filed Form 990-T to report unrelated business income, nearly 2 percent more than filed the return for Tax Year 2009 (Figure A). Between Tax Years 2009 and 2010, both gross unrelated business income and reported deductions increased. Gross unrelated business income is the total of all unrelated business income prior to deductions. For Tax Year 2010, tax-exempt organizations reported a 13-percent increase in the total gross unrelated business income received (\$11.0 billion). In aggregate, deductions of \$10.8 billion offset this amount. 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 2010 reported unrelated business income

Highlights

- Over 43,000 tax-exempt organizations filed a Form 990-T with the IRS for Tax Year 2010.
- Over half of all organizations that filed Form 990-T did not report unrelated business income tax liability after subtracting deductions from gross unrelated business income.
- Charitable organizations, exempt under Internal Revenue Code section 501(c)(3) accounted for the most common Form 990-T filers.
- Organizations classified as 501(c)(3) accounted for nearly two-thirds (65 percent) of all unrelated business income, two-thirds (67 percent) of all deductions, and over half (58 percent) of all unrelated business income tax liability.

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



Figure A
Unrelated Business Income Tax Returns: Selected Items from Forms 990-T, Tax Years 2009 and 2010

[Money amounts are in thousands of dollars]

Item	2009	2010	Percentage change
	(1)	(2)	
Number of returns, total	42,469	43,184	1.7
With gross unrelated business income of \$10,000 or less [1]	19,072	19,312	1.3
With gross unrelated business income over \$10,000 [1]	23,397	23,872	2.0
With unrelated business taxable income	19,368	19,874	2.6
Without unrelated business taxable income [2]	23,101	23,310	0.9
Gross unrelated business income	9,700,964	10,966,456	13.0
Total deductions [3]	9,821,097	10,882,576	10.8
Unrelated business taxable income (less deficit)	-120,133	83,880	[P]
Unrelated business taxable income	930,795	1,217,989	30.9
Deficit	1,050,928	1,134,109	7.9
Unrelated business income tax	266,421	341,361	28.1
Total tax	263,147	332,465	26.3

[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 2009 and \$2.5 billion for 2010.

[P] Percentage change is not provided if the current year data contains a positive value (income) compared to a prior year negative value (deficit).

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.

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

tax liability. Tax-exempt organizations reported \$341.3 million in unrelated business income tax liability, a 28-percent increase from Tax Year 2009.

Total tax reported on Forms 990-T, the sum of unrelated business income tax and certain additional taxes less credits increased sharply in 2010, to \$332.4 million (Figure B). The additional taxes included \$4.5 million of alternative minimum tax, \$1.5 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and \$0.46 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 \$17.7 million for Tax Year 2010, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit (\$10.9 million), general business credit (\$4.9 million), credit for prior-year minimum tax (\$1.6 million), and "other" credits (\$0.3 million).

While both total tax and gross unrelated business income increased in 2010, total tax pales in comparison, reflecting around 3 percent of the income received.

Composition of Filers

A variety of tax-exempt organizations file Form 990-T to report unrelated business income and the associated tax (Figure C). Charitable organizations tax-exempt under IRC section 501(c)(3) are the most common Form 990-T filers. Churches are tax exempt under IRC section 501(c)(3) but are not required to apply for exemption. However, churches are required to file Form 990-T if they received \$1,000 or more of gross income from business activities that are considered unrelated to their religious purposes.³

Organizations classified by the Internal Revenue Code as 501(c)(3) made up the most common Form 990-T filers, accounting for nearly 35 percent of returns filed for Tax Year 2010 (Figure D). Additionally, 501(c)(3) charitable organizations accounted for even higher percentages of gross unrelated business income, total unrelated business income tax, and other financial

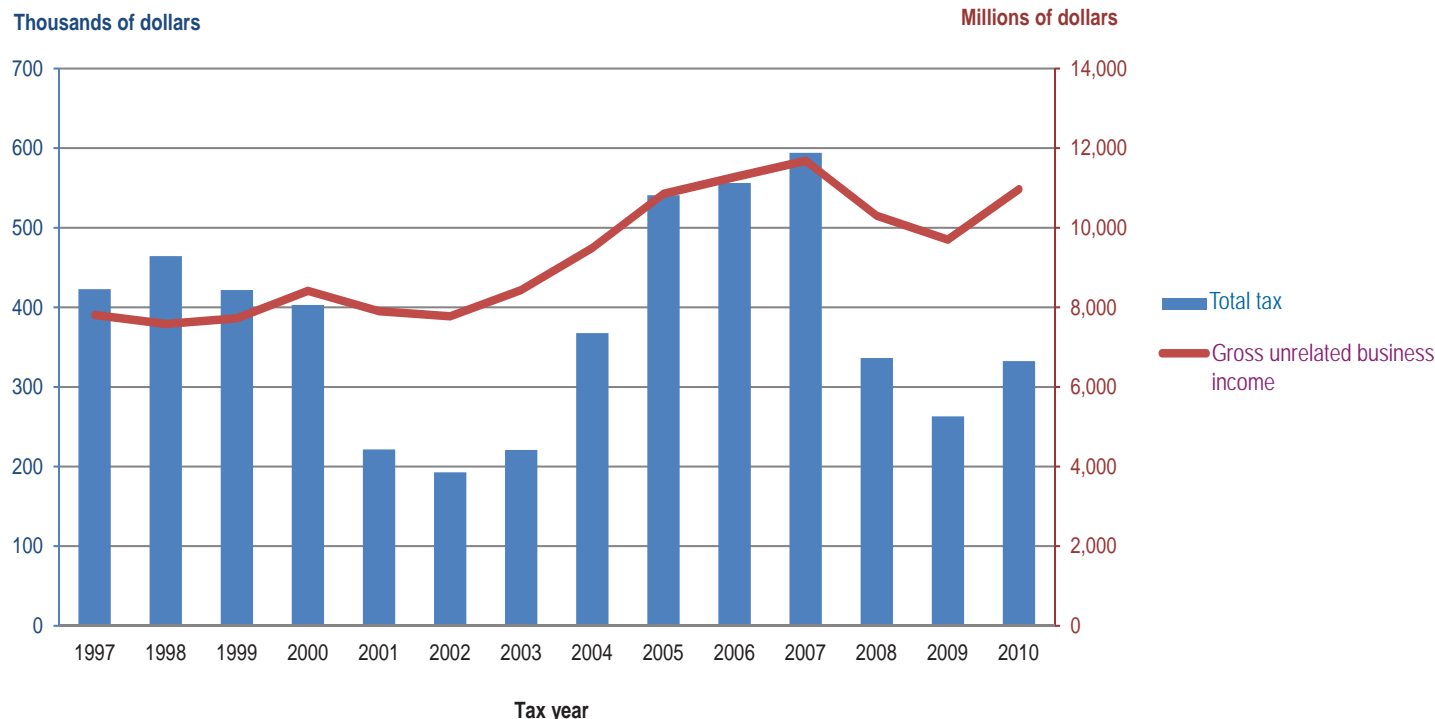
² A membership organization that was tax exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax in cases where it did not notify its members of the entire amount of the shares of their dues that were allocated to the nondeductible lobbying and political 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 \$50,000 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 \$500,000 and total end-of-year assets of less than \$200,000). 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.

Figure B

Unrelated Business Income Tax Returns: Gross Unrelated Business Income and Total Tax, Tax Years 1997–2010

[Total tax is in thousands of dollars; gross unrelated business income is in millions of dollars]



SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

items for Tax Year 2010. Traditional Individual Retirement Accounts (IRAs), exempt under section 408(e) (18 percent), and social and recreational clubs, exempt under section 501(c)(7) (13 percent), accounted for the next-largest percentages of all Tax Year 2010 Forms 990-T filed.

While total number of returns filed has had some up and down fluctuations, the number of 501(c)(3) returns has steadily risen over the past few years with smaller variations (Figure E).

A look at selected financial items for Tax Year 2010, 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 \$11.0 billion in gross unrelated business income reported for the year (Figure F). They claimed 67 percent of total deductions and reported 57 percent of total unrelated business income tax. Charitable organizations also reported 53 percent of total investment income for Tax Year 2010. However, investment income represented only a small percentage, about 15 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

A number of criteria, such as point of origination and membership status, contribute to a tax-exempt entity's choice of 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 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 classified as nonprofit corporations pay taxes at the corporate rate. Tax-exempt organizations that paid taxes at the corporate rate accounted for nearly 78 percent of all Forms 990-T filed for Tax Year 2010. Tax-exempt trusts accounted for the additional 22 percent of Forms 990-T filed

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 (MSA)	Fiduciary agent for accounts used in conjunction with high-deductible health insurance plans to save funds for future medical expenses
401(a)	Qualified pension, profit-sharing, or stock bonus plans	Fiduciary agent for pension, profit-sharing, or stock bonus plans
408(e)	Traditional Individual Retirement Accounts (IRA)	Fiduciary agent for retirement funds
408A	Roth Individual Retirement Accounts (IRA)	Fiduciary agent for retirement funds; subject to same rules as traditional IRA, 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
(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

Footnotes at end of figure.

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
(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
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
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.

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Figure D

Unrelated Business Income Tax Returns: Form 990-T Filers, by Size of Gross Unrelated Business Income, Gross Unrelated Business Taxable Income, Type of Entity, and Type of Organization, Tax Years 2009 and 2010

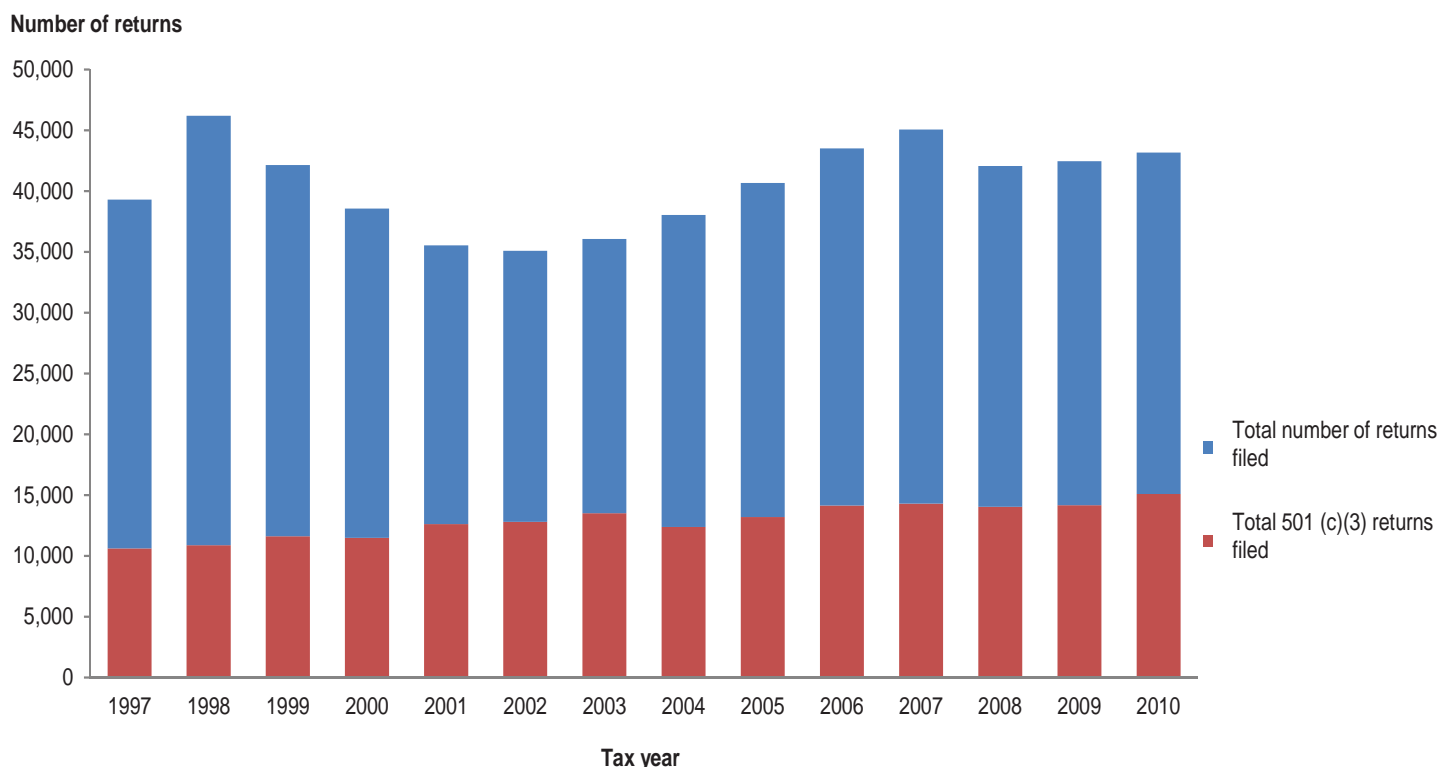
Category	Item	2009		2010		2009 to 2010 number of returns, percentage change
		Number of returns	Percentage of total	Number of returns	Percentage of total	
		(1)	(2)	(3)	(4)	(5)
All Forms 990-T	All returns	42,469	100.00	43,184	100.00	1.7
Type of organization	All returns, by type of organization	42,469	100.0	43,184	100.0	1.7
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	14,169	33.4	15,085	34.9	6.5
	501(c)(4) Civic leagues and social welfare organizations	1,466	3.5	1,553	3.6	5.9
	501(c)(5) Labor, agricultural, and horticultural organizations	2,084	4.9	2,007	4.6	-3.7
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	5,417	12.8	4,835	11.2	-10.7
	501(c)(7) Social and recreational clubs	5,890	13.9	5,788	13.4	-1.7
	501(c)(19) War veterans' posts or organizations	1,874	4.4	1,818	4.2	-3.0
	408(e) Traditional Individual Retirement Accounts	7,025	16.5	7,645	17.7	8.8
	Other [1]	4,544	10.7	4,453	10.3	-2.0
Type of entity	All returns, by type of entity	42,469	100.0	43,184	100.0	1.7
	Corporation	33,619	79.2	33,485	77.5	-0.4
	Trust	8,850	20.8	9,699	22.5	9.6
Size of gross unrelated business income	All returns, by size of gross unrelated business income	42,469	100.0	43,184	100.0	1.7
	With gross unrelated business income of \$10,000 or less	19,072	44.9	19,312	44.7	1.3
	With gross unrelated business income over \$10,000	23,397	55.1	23,872	55.3	2.0
Presence of unrelated business taxable income (less deficit)	All returns, with and without unrelated business taxable income	42,469	100.0	43,184	100.0	1.7
	With unrelated business taxable income	19,368	45.6	19,874	46.0	2.6
	Without unrelated business taxable income	23,101	54.4	23,310	54.0	0.9

[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.

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).

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Figure E
Unrelated Business Income Tax Returns: Number of Returns Filed and Number of 501 (c)(3) Returns Filed



SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Figure F
Unrelated Business Income Tax Returns: Selected Items for Unrelated Business Income Tax of Tax-Exempt Organizations, by Subsection Code, Tax Year 2010

[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	43,184	15,085	1,553	2,007	4,835	5,788	1,818	7,645	4,453
Gross unrelated business income (UBI)	10,966,456	7,115,467	535,998	266,998	977,431	665,519	173,272	44,591	1,187,180
Total investment income [2]	1,961,285	1,031,988	14,288	18,740	45,591	94,438	6,985	42,808	706,447
Investment income to gross UBI (percentage)	17.9	14.5	2.7	7.0	4.7	14.2	4.0	96.0	59.5
Total deductions	10,882,576	7,238,438	535,534	248,782	972,162	639,456	176,929	21,185	1,050,090
Unrelated business taxable income (less deficit)	83,880	-122,971	464	18,216	5,270	26,064	-3,656	23,406	137,087
Unrelated business taxable income	1,217,989	647,457	16,438	42,404	76,186	72,714	6,876	25,093	330,821
Deficit	1,134,109	770,428	15,974	24,188	70,916	46,650	10,532	1,687	193,734
Unrelated business income tax	341,360	195,711	4,917	12,020	21,603	19,387	1,477	6,349	79,896
Total tax	332,465	185,533	4,707	12,022	23,220	19,089	1,479	6,345	80,070

[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.

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

for the year, which is a slightly larger percentage than the previous year. Traditional IRAs, voluntary employees' beneficiary associations, pension, profit sharing, and stock bonus plans accounted for the majority of the 9,699 tax-exempt trusts that filed Form 990-T. These organizations represented more than 79 percent of all trusts that filed the return for the year.

income reported for Tax Year 2010, corporate filers reported the majority, \$1.1 billion.

Data Sources and Limitations

To report unrelated business income of \$1,000 (the filing threshold) or more for Tax Year 2010, the required reporting period for trusts, defined in Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, and 530(a), was Calendar Year 2010, and the Form 990-T filing deadline was April 15, 2011. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2010 and, thus, ending between December 2010 and November 2011, for full-year return filers. The associated required due dates for filing Tax Year 2010 Forms 990-T generally fell from May 2011 to April 2012, but the IRS routinely granted filing extensions beyond this period to many organizations. Corresponding to the required filing dates, the SOI Tax Year 2010 study sample was drawn from Forms 990-T processed by the IRS throughout Calendar Years 2011 and 2012. Because of the various accounting periods reported by organizations filing a Tax Year 2010 return, the financial activities covered in this article span the period January 2010 through November 2011, although 55 percent of Form 990-T filers had Calendar Year 2010 accounting periods.

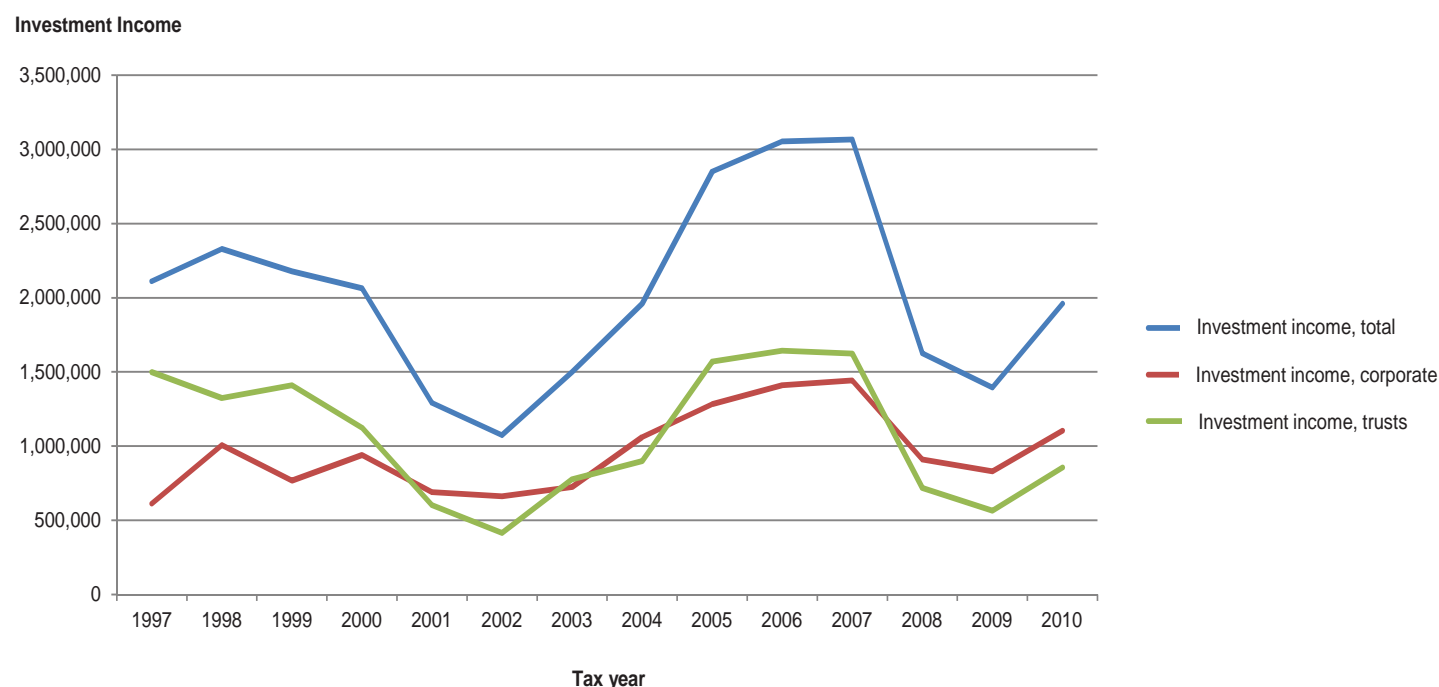
SOI drew the sample from Tax Year 2010 Form 990-T records posted to the IRS Business Master File system during 2011 and 2012. Generally, SOI excluded returns filed after Calendar Year 2012 from the sample. However, in some cases,

Investment income has shown dramatic fluctuating over the last 10 years, with trusts and corporations continuously interchanging as the largest contributor (Figure G).

Generally, corporate filers report the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax. For Tax Year 2010, corporate filers reported \$10.0 billion in gross unrelated business income, \$10.2 billion in total deductions, and \$242.5 million in unrelated business income tax. Corporate filers reported a relatively modest increase, 10 percent, in gross unrelated business income between Tax Years 2009 and 2010. Trust filers reported a more significant increase of 50 percent. Investment income represented 87 percent of gross unrelated income reported by trusts, compared to less than 10 percent for corporations (Figure G). However, the amount reported, \$856.6 million in investment income, represents an increase of 50 percent over the previous year. Of the \$2.0 billion in investment

Figure G
Unrelated Business Income Tax Returns: Investment Income for Tax-Exempt Corporate and Trust Entities, Tax Years 1997–2010

[In thousands of dollars]



SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

SOI added large income-size case returns (over \$500,000 or more of gross unrelated business income) filed after the sampling period closed, before selecting a sample of 7,242 returns from a population of 43,370. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 7,220 returns, and the estimated population size was 43,184. Rejected returns included those that had gross unrelated business income less than the \$1,000 filing threshold; were filed for a part-year 2010 accounting period and a full-year 2010 return was also filed; or were filed for a part-year accounting period that began in a year other than 2010.

The 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. SOI designed the stratified random sample to represent the entire population of Form 990-T filers reporting unrelated business income. It designed the integrated sample 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 sample, formed the “integrated” IRC section 501(c)(3) portion of the Form 990-T sample.⁴

SOI obtained the information presented in this article 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. To use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account. Figure H shows CVs for selected financial data estimates derived from the Form 990-T stratified random sample. A discussion of the reliability of

Figure H
Unrelated Business Income Tax Returns: Coefficients of Variation by 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 2010

[Coefficients of variation are in percentages]

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	0.15	0.22	0.15	0.33	0.19	31.97	0.32	1.03	0.32	1.05
501(c)(2) Title-holding corporations for exempt organizations [2]	29.52	11.57	29.52	11.53	33.99	126.33	41.30	24.81	41.30	16.34
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	2.70	0.34	2.70	0.44	3.14	14.99	4.97	1.10	4.93	1.01
501(c)(4) Civic leagues and social welfare organizations	11.50	1.91	11.50	2.03	13.83	547.36	22.50	8.06	22.34	10.00
501(c)(5) Labor, agricultural, and horticultural organizations	10.00	4.50	10.00	5.33	11.34	27.29	15.47	6.16	15.45	5.85
501(c)(6) Business leagues, chambers of commerce, and real estate boards	6.14	1.81	6.14	1.93	7.17	120.19	10.78	4.95	10.52	4.83
501(c)(7) Social and recreational clubs	5.75	2.94	5.80	3.37	6.84	30.49	8.61	6.32	8.74	5.77
501(c)(8) Fraternal beneficiary societies and associations	14.87	10.23	14.87	10.80	16.30	660.74	23.27	22.09	23.27	21.82
501(c)(9) Voluntary employees' beneficiary associations	15.82	1.91	15.86	2.09	20.21	4.86	21.17	3.30	21.17	3.80
501(c)(10) Domestic fraternal beneficiary societies and associations	45.45	25.84	45.46	26.87	46.23	58.41	62.54	58.20	62.54	56.41
401(a) Qualified pension, profit-sharing, or stock bonus plans	17.90	2.67	18.30	3.32	22.25	7.49	23.94	4.50	23.63	5.93
408(e) Traditional Individual Retirement Accounts	5.23	9.91	5.23	13.42	5.44	15.74	4.97	14.04	5.04	17.83
Other [3]	7.29	2.79	7.31	3.44	8.05	13.92	12.98	8.78	13.14	7.78

[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 Accounts, exempt under section 408A; State-sponsored qualified tuition plans, exempt under section 529(a); and Coverdell Education Savings Accounts, exempt under section 530(a).

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

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

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 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-Statistical-Methodology>.

Explanation of Selected Terms

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

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 included: 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); and income (less loss) from partnerships and S corporations. It also included: 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)—Only organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) reported this income. Investment income (less loss) included income, such as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-asides.) All gross rents (except those that were exempt-function income) from investment property of sections 501(c)(7), (9), and (17) organizations were treated as unrelated business income and were reported as “rental income.” Organizations exempt under sections other than 501(c)(7), (9), and (17) did not report “investment income (less loss).” Generally, these organizations’ investment income (dividends, interest, rents, and annuities) and royalty income were not taxed as unrelated business income, unless it was income, other than dividends, from a controlled organization or debt-financed income, or the rents were of the type described in the explanation of rental income.

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 the costs of sales and services, which the organization subtracted from gross receipts from sales and services in computing gross profit (less loss) from sales and services, 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 works from the collections of other art museums. In addition, the museum sells souvenir items of the city where the museum is located. The sale of the reproductions, regardless of which museum houses the original works, is considered to

be “related” because it contributes importantly to the achievement of the museum’s exempt educational purpose by making works of art familiar to a broader segment of the public, thereby enhancing the public’s understanding and appreciation of art. However, the sale of souvenir items depicting the city in which the museum is located is considered to be “unrelated” because it has no causal relationship to art or to artistic endeavor, and, therefore, does not contribute importantly to the accomplishment of the museum’s exempt educational purposes.

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

Unrelated business income tax—This was the tax imposed on unrelated business taxable income. It was determined based on the regular corporate or trust income tax rates that were in effect for the 2010 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	11,200	1,905.50 + 33%	8,200
11,200	—	2,895.50 + 35%	11,200

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.

Jael Jackson is an economist with the Special Studies Special Projects Section. This article was prepared under the direction of Melissa Ludlum, Chief.

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 2010

[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]		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 organizations	43,184	10,966,456	42,963	10,882,576	33,142	83,880	19,874	1,217,989	19,742	332,465
220(e) Archer Medical Savings Accounts	d	d	d	d	d	d	d	d	d	d
401(a) Qualified pension, profit-sharing, or stock bonus plans	628	306,160	590	222,930	398	83,230	369	110,151	367	25,295
408(e) Traditional Individual Retirement Accounts	7,645	44,591	7,644	21,185	6,693	23,406	6,423	25,093	6,297	6,345
408(A) Roth Individual Retirement Accounts	280	9,095	280	2,420	280	6,675	217	7,016	217	2,278
501(c)(2) Title-holding corporations for exempt organizations [6]	261	35,419	261	34,548	186	871	146	3,752	146	854
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	15,085	7,115,467	15,048	7,238,438	11,168	-122,971	5,375	647,457	5,362	185,533
501(c)(4) Civic leagues and social welfare organizations	1,553	535,998	1,553	535,534	1,084	464	429	16,438	432	4,707
501(c)(5) Labor, agricultural, and horticultural organizations	2,007	266,998	2,007	248,782	1,575	18,216	842	42,404	843	12,022
501(c)(6) Business leagues, chambers of commerce, and real estate boards	4,835	977,431	4,835	972,162	3,509	5,270	1,556	76,186	1,643	23,220
501(c)(7) Social and recreational clubs	5,788	665,519	5,675	639,456	4,171	26,064	2,766	72,714	2,687	19,089
501(c)(8) Fraternal beneficiary societies and associations	1,051	633,921	1,051	630,444	877	347	442	62,355	442	12,722
501(c)(9) Voluntary employees' beneficiary associations	391	416,236	390	280,484	300	135,753	248	182,380	248	44,413
501(c)(10) Domestic fraternal beneficiary societies and associations	90	13,612	90	14,794	89	-1,183	11	353	11	55
501(c)(11) Teachers' retirement fund associations	0	0	0	0	0	0	0	0	0	0
501(c)(12) Benevolent life insurance associations and certain mutual companies	356	76,951	356	68,559	251	8,393	220	10,994	220	3,048
501(c)(13) Cemetery companies	d	d	d	d	d	d	d	d	d	d
501(c)(14) State-chartered credit unions	1,284	249,724	1,284	326,711	1,098	-76,987	200	8,690	232	2,442
501(c)(15) Mutual insurance companies	0	0	0	0	0	0	0	0	0	0
501(c)(16) Corporations organized to finance crop operations	0	0	0	0	0	0	0	0	0	0
501(c)(17) Supplemental unemployment benefit trusts	0	0	0	0	0	0	0	0	0	0
501(c)(18) Employee-funded pension trusts	d	d	d	d	d	d	d	d	d	d
501(c)(19) War veterans' posts or organizations	1,818	173,272	1,787	176,929	1,384	-3,656	593	6,876	558	1,479
501(c)(21) Black Lung Benefit Trusts [7]	0	0	0	0	0	0	0	0	0	0
501(c)(22) Withdrawal liability payment funds	0	0	0	0	0	0	0	0	0	0
501(c)(23) Veterans' associations founded before 1880	0	0	0	0	0	0	0	0	0	0
501(c)(24) Trusts described in section 4049 of ERISA	0	0	0	0	0	0	0	0	0	0
501(c)(25) Title-holding companies with no more than 35 shareholders	0	0	0	0	0	0	0	0	0	0
501(c)(26) High-risk health insurance plans	0	0	0	0	0	0	0	0	0	0
501(c)(27) Workers' compensation reinsurance plans	d	d	d	d	d	d	d	d	d	d
529(a) Qualified State tuition plans	d	d	d	d	d	d	d	d	d	d
530(a) Coverdell Education Savings Accounts	0	0	0	0	0	0	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 \$2.5 billion.

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

[3] Excludes data from 10,042 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 \$1.5 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.

NOTES: 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, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Table 2. 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 Size of Gross UBI, Tax Year 2010

[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	43,184	10,966,456	42,963	10,882,576	33,142	83,880	19,874	1,217,989	19,742	332,465
\$1,000 under \$10,001 [6]	19,312	72,578	19,153	74,722	14,662	-2,144	10,984	20,721	10,894	3,513
\$10,001 under \$100,000 [6]	14,183	613,254	14,131	649,758	11,077	-36,503	5,487	93,767	5,381	16,987
\$100,000 under \$500,000	6,617	1,596,501	6,612	1,663,108	5,065	-66,607	2,290	175,979	2,296	46,726
\$500,000 under \$1,000,000	1,398	976,575	1,396	1,020,778	1,071	-44,203	520	104,564	515	31,460
\$1,000,000 under \$5,000,000	1,320	2,728,802	1,317	2,713,706	992	15,096	453	292,395	493	90,320
\$5,000,000 or more	354	4,978,746	354	4,760,505	276	218,241	141	530,562	163	143,457

[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 \$2.5 billion.

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

[3] Excludes data from 10,042 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 \$1.5 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, Tax Exempt Organizations, Unrelated Business Income, February 2014.

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 2010

[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	43,184	10,966,456	42,963	10,882,576	33,142	83,880	19,742	332,465
Deficit	13,268	4,575,710	13,268	5,709,819	13,268	-1,134,109	58	634
Zero [4]	10,042	2,452,080	10,042	2,452,080	0	0	225	2,959
\$1 under \$1,000	5,406	60,406	5,406	58,071	5,406	2,335	5,249	341
\$1,000 under \$10,000	8,657	294,938	8,498	263,359	8,657	31,579	8,469	5,562
\$10,000 under \$100,000	4,393	715,535	4,341	575,347	4,393	140,189	4,335	25,904
\$100,000 under \$500,000	1,032	747,806	1,027	527,582	1,032	220,224	1,027	65,762
\$500,000 under \$1,000,000	174	390,755	172	269,881	174	120,874	170	38,840
\$1,000,000 or more	212	1,729,225	209	1,026,436	212	702,789	208	192,463

[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 \$2.5 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 \$1.5 million.

[4] The Zero category includes 10,042 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, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Table 4. Unrelated Business Income Tax Returns with Positive Unrelated Business Taxable Income: Number of Returns, Gross Unrelated Business Income, Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Type of Entity and Size of Gross UBI, Tax Year 2010

[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	19,874	3,938,666	19,653	2,720,677	1,217,989	19,459	328,872
\$1,000 under \$10,001 [4]	10,984	36,971	10,825	16,251	20,721	10,824	3,301
\$10,001 under \$100,000 [4]	5,487	237,729	5,435	143,962	93,767	5,338	16,920
\$100,000 under \$500,000	2,290	556,280	2,285	380,301	175,979	2,223	46,447
\$500,000 under \$1,000,000	520	362,747	518	258,183	104,564	496	31,160
\$1,000,000 under \$5,000,000	453	910,210	450	617,815	292,395	442	89,534
\$5,000,000 or more	141	1,834,728	141	1,304,166	530,562	136	141,509
TAX-EXEMPT CORPORATIONS							
Total	12,211	3,357,023	12,030	2,556,440	800,583	11,947	236,885
\$1,000 under \$10,001 [4]	4,391	18,839	4,264	9,132	9,707	4,357	1,431
\$10,001 under \$100,000 [4]	4,852	219,760	4,800	141,028	78,732	4,722	12,860
\$100,000 under \$500,000	2,003	485,909	2,003	363,695	122,214	1,937	31,315
\$500,000 under \$1,000,000	467	323,686	467	247,784	75,902	445	22,754
\$1,000,000 under \$5,000,000	382	769,586	380	579,749	189,836	372	62,489
\$5,000,000 or more	116	1,539,242	116	1,215,051	324,191	114	106,036
TAX-EXEMPT TRUSTS							
Total	7,663	581,643	7,623	164,237	417,406	7,512	91,987
\$1,000 under \$10,001 [4]	6,593	18,132	6,561	7,119	11,014	6,467	1,870
\$10,001 under \$100,000 [4]	635	17,969	635	2,934	15,035	616	4,060
\$100,000 under \$500,000	286	70,371	281	16,606	53,765	286	15,132
\$500,000 under \$1,000,000	53	39,061	51	10,399	28,662	51	8,406
\$1,000,000 under \$5,000,000	71	140,624	70	38,065	102,559	70	27,045
\$5,000,000 or more	25	295,486	25	89,114	206,371	22	35,474

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income. Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting positive unrelated business taxable income, cost of sales and services was \$9.0 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 \$1.5 million.

[4] The gross unrelated business income (UBI) brackets of "\$1,000 under \$10,001" and "\$10,001 under \$100,000" reflect the different filing requirements for organizations with gross UBI of \$10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below \$1,000 were not required to file Form 990-T.

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

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

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 2010

[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	43,184	10,966,456	42,963	10,882,576	33,142	83,880	19,874	1,217,989	19,742	332,465
Agriculture, forestry, hunting, and fishing	195	42,140	195	32,089	157	10,051	93	16,208	93	4,957
Mining	418	41,207	400	26,451	321	14,755	275	16,689	274	3,403
Utilities	32	22,170	32	21,715	* 17	* 455	* 12	* 552	* 13	* 108
Construction	d	d	d	d	d	d	d	d	d	d
Manufacturing	141	61,980	136	39,778	129	22,203	85	27,841	55	6,740
Wholesale trade	67	35,083	67	20,765	67	14,318	55	16,493	53	2,081
Retail trade	1,663	820,436	1,663	866,846	1,375	-46,410	576	60,107	584	19,736
Transportation and warehousing	52	6,594	52	4,635	* 51	* 1,959	* 40	* 2,182	* 40	* 725
Information	712	175,161	712	172,739	447	2,422	200	13,709	202	4,037
Finance and insurance, total	14,086	2,038,183	14,017	1,785,917	11,303	252,266	9,391	543,209	9,336	138,657
Unrelated debt-financed activities, other than rental of real estate	828	127,272	828	108,283	693	18,989	505	35,101	508	8,187
Investment activities of Code section 501(c)(7), (9), and (17) organizations [6]	2,551	531,162	2,518	388,018	1,652	143,144	1,391	185,576	1,373	43,591
Passive income activities with controlled organizations	337	180,607	337	136,436	240	44,171	164	56,871	169	12,163
Other finance and insurance	10,370	1,199,142	10,334	1,153,180	8,718	45,962	7,331	265,661	7,286	74,716
Real estate and rental and leasing, total	7,713	1,126,421	7,648	1,161,761	6,335	-35,339	3,506	110,638	3,473	29,278
Rental of personal property	428	53,970	428	59,965	339	-5,994	184	5,629	218	1,380
Other real estate and rental and leasing	7,285	1,072,451	7,220	1,101,796	5,996	-29,345	3,322	105,009	3,255	27,898
Professional, scientific, and technical services	7,785	2,114,208	7,785	2,134,974	5,151	-20,767	2,193	136,266	2,286	40,733
Management of companies and enterprises	d	d	d	d	d	d	d	d	d	d
Administrative and support and waste management and remediation services	881	683,568	881	712,164	616	-28,595	239	21,142	216	6,584
Educational services	37	47,128	37	54,609	32	-7,482	* 6	* 758	* 6	* 236
Healthcare and social assistance	976	1,861,415	976	1,830,373	686	31,042	353	155,054	374	51,528
Arts, entertainment, and recreation	4,203	888,325	4,140	968,768	3,061	-80,442	1,332	26,793	1,281	6,204
Accommodation and food services	2,998	673,546	2,997	746,377	2,414	-72,832	875	19,021	860	4,683
Other services	577	133,695	577	142,339	458	-8,644	294	6,667	265	1,418
Exploited exempt activities	230	81,910	230	80,905	188	1,005	81	6,837	82	2,045
Other activity	305	37,736	305	29,754	268	7,982	227	11,281	207	3,464
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 \$2.5 billion.

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

[3] Excludes data from 10,042 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 \$1.5 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.

SOURCE: IRS, Statistics of Income Division, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Table 6. Unrelated Business Income Tax Returns: Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2010

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

Size of gross unrelated business income (UBI)	Gross unrelated business income (UBI)		Source of gross unrelated business income (UBI)					
			Gross profit (less loss) from sales and services		Net capital gain income		Net capital loss (trusts only)	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	43,184	10,966,456	16,199	6,495,136	1,773	424,266	270	626
\$1,000 under \$10,001 [1]	19,312	72,578	3,578	16,442	789	2,347	* 126	* 129
\$10,001 or more, total [1]	23,872	10,893,878	12,621	6,478,695	984	421,919	145	497
\$10,001 under \$100,000	14,183	613,254	6,560	253,195	405	8,576	**	**
\$100,000 under \$500,000	6,617	1,596,501	3,962	847,510	323	39,526	62	185
\$500,000 under \$1,000,000	1,398	976,575	925	541,292	75	20,212	18	54
\$1,000,000 under \$5,000,000	1,320	2,728,802	912	1,636,631	128	98,149	24	139
\$5,000,000 or more	354	4,978,746	262	3,200,067	53	255,456	**	**

Size of gross unrelated business income (UBI)	Source of gross unrelated business income (UBI)—continued							
	Net gain (less loss), sales of noncapital assets [2]		Income (less loss) from partnerships and S corporations		Rental income [3]		Unrelated debt-financed income	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Total	354	4,677	10,766	556,626	4,990	345,914	3,697	566,245
\$1,000 under \$10,001 [1]	95	167	7,795	19,028	1,554	7,372	1,166	5,368
\$10,001 or more, total [1]	259	4,511	2,971	537,599	3,436	338,542	2,531	560,877
\$10,001 under \$100,000	** 76	** 74	1,517	39,639	2,257	68,439	1,520	52,507
\$100,000 under \$500,000	98	1,434	773	72,690	807	97,620	688	116,616
\$500,000 under \$1,000,000	31	222	207	46,413	183	49,642	141	60,484
\$1,000,000 under \$5,000,000	60	-1,104	315	111,922	150	68,547	136	142,765
\$5,000,000 or more	** 35	** 4,004	159	266,935	39	54,294	46	188,505

Size of gross unrelated business income (UBI)	Source of gross unrelated business income (UBI)—continued									
	Investment income (less loss) [4]		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	Number of returns	Amount
	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Total	4,330	414,148	699	98,286	942	212,607	7,512	1,204,951	6,123	644,224
\$1,000 under \$10,001 [1]	2,112	5,383	* 222	* 726	* 160	* 893	2,651	10,894	1,637	4,088
\$10,001 or more, total [1]	2,218	408,765	478	97,561	782	211,714	4,861	1,194,056	4,486	640,136
\$10,001 under \$100,000	982	9,917	164	5,561	331	11,730	2,955	98,065	2,688	65,742
\$100,000 under \$500,000	879	45,888	166	18,165	249	24,517	1,277	213,441	1,204	119,279
\$500,000 under \$1,000,000	211	37,187	44	10,661	75	23,758	291	131,410	250	55,348
\$1,000,000 under \$5,000,000	124	124,825	75	30,191	103	73,121	269	280,033	273	163,861
\$5,000,000 or more	22	190,948	29	32,983	24	78,588	69	471,107	71	235,906

* 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, Tax Exempt Organizations, Unrelated Business Income, February 2014.

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2010

[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 [1]		\$10,001 under \$100,000 [1]		\$100,000 under \$500,000	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Number of returns	43,184	N/A	19,312	N/A	14,183	N/A	6,617	N/A
Total deductions [2,3]	42,963	10,882,577	19,153	74,722	14,131	649,758	6,612	1,663,108
Organizations with gross unrelated business income (UBI) of \$1,000 under \$10,001 [1]:								
Total deductions [3,4]	19,153	74,722	19,153	74,722	N/A	N/A	N/A	N/A
Net operating loss deduction	2,318	5,385	2,318	5,385	N/A	N/A	N/A	N/A
Specific deduction	12,540	11,762	12,540	11,762	N/A	N/A	N/A	N/A
Organizations with gross unrelated business income (UBI) of \$10,001 or more [1]:								
Total deductions [3,5]	23,810	10,807,855	N/A	N/A	14,131	649,758	6,612	1,663,108
Deductions directly connected with UBI	22,649	10,150,166	N/A	N/A	13,243	617,896	6,406	1,577,170
Allocable to rental income [6]	2,000	256,665	N/A	N/A	1,307	42,295	456	77,995
Allocable to unrelated debt-financed income [6]	2,332	600,439	N/A	N/A	1,382	67,802	646	125,968
Allocable to investment income [6,7]	748	32,946	N/A	N/A	* 169	* 2,789	375	3,099
Allocable to income from controlled organizations [6]	313	82,948	N/A	N/A	107	6,676	106	15,440
Allocable to exploited exempt activity income, except advertising [6]	708	161,847	N/A	N/A	330	9,450	196	16,623
Direct advertising costs [6]	4,271	857,522	N/A	N/A	2,545	70,292	1,129	152,474
Compensation of officers, directors, and trustees	1,827	58,872	N/A	N/A	831	11,528	676	18,012
Salaries and wages	10,802	2,043,635	N/A	N/A	5,264	123,022	3,671	384,306
Repairs and maintenance	7,218	148,777	N/A	N/A	3,704	17,575	2,362	28,279
Bad debts	706	44,492	N/A	N/A	140	1,177	227	1,106
Interest	2,791	136,662	N/A	N/A	1,162	6,042	1,107	21,416
Taxes and licenses paid deduction	10,259	196,663	N/A	N/A	5,218	20,265	3,421	57,315
Depreciation	7,019	301,719	N/A	N/A	3,187	19,818	2,453	59,954
Depletion	167	15,558	N/A	N/A	* 110	* 662	* 25	* 1,183
Contributions to deferred compensation plans	1,190	20,077	N/A	N/A	350	334	521	2,240
Contributions to employee benefit programs	5,227	348,680	N/A	N/A	1,895	6,052	2,025	42,697
Net operating loss deduction	3,911	439,915	N/A	N/A	2,162	32,358	1,112	54,491
Other deductions	14,606	4,402,749	N/A	N/A	7,654	179,760	4,568	514,572
Deductions not directly connected with UBI	11,515	657,688	N/A	N/A	6,954	31,862	3,071	85,938
Specific deduction	9,643	9,129	N/A	N/A	6,108	5,714	2,384	2,275
Charitable contributions	1,991	110,313	N/A	N/A	** 937	** 4,045	640	11,691
Set-asides [7]	191	221,006	N/A	N/A	**	**	103	19,820
Excess exempt-activity expenses [8]	2,138	317,240	N/A	N/A	1,102	22,102	654	52,151

Footnotes at end of table.

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2010—Continued

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

Item	Size of gross unrelated business income—continued					
	\$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
	(9)	(10)	(11)	(12)	(13)	(14)
Number of returns	1,398	N/A	1,320	N/A	354	N/A
Total deductions [2,3]	1,396	1,020,778	1,317	2,713,706	354	4,760,505
Organizations with gross unrelated business income (UBI) of \$1,000 under \$10,001 [1]:						
Total deductions [3,4]	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
Specific deduction	N/A	N/A	N/A	N/A	N/A	N/A
Organizations with gross unrelated business income (UBI) of \$10,001 or more [1]:						
Total deductions [3,5]	1,396	1,020,778	1,317	2,713,706	354	4,760,505
Deductions directly connected with UBI	1,362	965,282	1,295	2,575,724	343	4,414,094
Allocable to rental income [6]	104	34,645	102	62,469	31	39,261
Allocable to unrelated debt-financed income [6]	135	57,630	128	143,575	41	205,465
Allocable to investment income [6,7]	125	4,527	72	11,397	* 6	* 11,134
Allocable to income from controlled organizations [6]	29	9,067	50	25,928	21	25,838
Allocable to exploited exempt activity income, except advertising [6]	65	19,263	95	61,193	22	55,318
Direct advertising costs [6]	274	94,788	257	199,986	65	339,982
Compensation of officers, directors, and trustees	153	6,966	135	13,300	32	9,065
Salaries and wages	814	204,042	825	561,854	227	770,411
Repairs and maintenance	498	15,669	502	34,831	152	52,423
Bad debts	95	1,640	174	12,209	70	28,360
Interest	236	9,362	214	31,929	73	67,913
Taxes and licenses paid deduction	755	25,364	658	43,647	207	50,072
Depreciation	598	37,760	597	88,810	184	95,377
Depletion	* 9	* 908	* 16	* 4,883	* 7	* 7,922
Contributions to deferred compensation plans	159	1,393	135	5,526	25	10,584
Contributions to employee benefit programs	518	54,351	604	101,366	185	144,214
Net operating loss deduction	247	32,870	301	126,640	88	193,556
Other deductions	1,049	355,036	1,033	1,046,181	302	2,307,200
Deductions not directly connected with UBI	676	55,496	623	137,982	191	346,411
Specific deduction	541	535	465	461	144	143
Charitable contributions	** 185	** 24,833	190	16,346	87	73,611
Set-asides [7]	**	**	29	39,602	12	141,371
Excess exempt-activity expenses [8]	158	30,129	174	81,573	50	131,286

* 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] Organizations with gross UBI between \$1,000 (the filing threshold) and \$10,000 were required to report only totals for expenses and deductions (except for the specific deduction and net operating loss deduction, which all organizations reported separately). Organizations with gross UBI over \$10,000 were required to report each expense and deduction item separately, as shown in rows 14 through 39.

[2] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services.

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

[4] Excludes \$74.1 million of cost of sales and services reported by organizations with gross UBI of \$10,000 or less. See footnote 2 for explanation.

[5] Excludes \$2.4 billion of cost of sales and services reported by organizations with gross UBI over \$10,000. See footnote 2 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, Tax Exempt Organizations, Unrelated Business Income, February 2014.