Unrelated Business Income Tax Returns, 2005

by Melissa Ludlum

Gross unrelated business income reported by charitable and other types of tax-exempt organizations increased 14 percent between Tax Years 2004 and 2005, surpassing $10 billion for the first time. The $10.8 billion in gross unrelated business income reported for Tax Year 2005 was offset by $9.6 billion in deductions. The resulting unrelated business taxable income less deficit totaled $1.2 billion for Tax Year 2005, more than double that reported in the previous tax year.

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

Figure A shows selected financial statistics from Forms 990-T filed for Tax Years 2004 and 2005. After reducing their gross unrelated business incomes by allowable deductions, only about half of the 40,676 organizations that were required to file Form 990-T reported unrelated business income tax liability for Tax Year 2005. Tax-exempt organizations reported $543.3 million in unrelated business income tax liability, a 49-percent increase from Tax Year 2004.

Total tax reported on Form 990-T, which comprised the sum of the unrelated business income tax and certain additional taxes, less credits, was $540.8 million. Additional taxes included $6.2 million of alternative minimum tax, $5.4 million of "proxy tax" on certain nondeductible lobbying and political expenditures, and $0.02 million of "other" taxes.[1] To arrive at the total tax amount, total tax credits were subtracted from the sum of unrelated business income tax plus additional taxes. Total tax credits

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Figure A

Selected Items from Forms 990-T, Exempt Organization Business Income Tax Returns, Tax Years 2004 and 2005

[Money amounts are in thousands of dollars]

Item	2004	2005	Percentage change
	(1)	(2)	(3)
Number of returns, total	**38,040**	**40,676**	**6.9**
With gross unrelated business income of $10,000 or less [1]	13,880	15,116	8.9
With gross unrelated business income over $10,000 [1]	24,160	25,560	5.8
With unrelated business taxable income	18,099	20,387	12.6
Without unrelated business taxable income [2]	19,941	20,289	1.7
Gross unrelated business income	**9,492,228**	**10,849,619**	**14.3**
Total deductions [3]	**8,979,863**	**9,635,921**	**7.3**
Unrelated business taxable income (less deficit)	**512,364**	**1,213,698**	**136.9**
Unrelated business taxable income	1,287,972	2,044,310	58.7
Deficit	775,607	830,612	7.1
Unrelated business income tax	**364,615**	**543,264**	**49.0**
Total tax	**367,698**	**540,819**	**47.1**

[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 $2.8 billion for 2004 and $3.0 billion for 2005.

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.

[1] A membership organization that was tax-exempt under Internal Revenue Code sections 501(c)(4), 501(c)(5), or 501(c)(6) was liable for the proxy tax in cases where it did not notify its members of the entire amount of the shares of their dues that were allocated to the nondeductible lobbying and political expenditures. The proxy tax of $5.4 million used in the total tax computation includes only proxy tax reported by Form 990-T filers with gross unrelated business income above the $1,000 filing threshold. Filers that reported gross unrelated business income below 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 below the filing threshold is not included.

equaled $14.0 million for Tax Year 2005, exceeding the amount of additional taxes reported. Tax credits included the foreign tax credit ($10.7 million), general business credit ($2.7 million), credit for prior-year minimum tax ($0.3 million), and "other" credits ($0.4 million).

Background

The SOI Sample

The data presented in this article are from sampled Forms 990-T filed for Tax Year 2005 by organizations described in Internal Revenue Code sections 220(e), 401(a), 408(e), 408A, 501(c)(2)-(27), 529(a), and 530(a).[2] Tax Year 2005 includes all accounting periods beginning in Calendar Year 2005 and thus ending between December 2005 and November 2006. Consequently, the returns reflect financial activity that occurred in either Calendar Year 2005 or 2006, or some portion of both (see *Data Sources and Limitations* for further information).

Definition of Unrelated Business Income

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

Filing Requirements and Composition of Tax Year 2005 Filers

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

Most tax-exempt organizations are required to file an annual Form 990, *Return of Organization Exempt From Income Tax,* or Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax* (used by organizations with annual gross receipts of less than $100,000 and total end-of-year assets of less than $250,000). Private foundations, which are exempt under section 501(c)(3), file the information return Form 990-PF, *Return of Private Foundation or Section 4947(a)(1) Nonexempt Charitable Trust Treated as a Private Foundation.*[3]

The composition of Form 990-T filers, by type of tax-exempt organization, type of entity, and size of gross unrelated business income and gross unrelated business taxable income, is shown in Figure C. For Tax Year 2005, charitable organizations represented nearly one-third of Form 990-T filers. Social and recreational clubs exempt under section 501(c)(7), business leagues, chambers of commerce, and other organizations exempt under section 501(c)(6), and traditional Individual Retirement Arrangements (IRAs) exempt under section 408(e) accounted for 16 percent, 15 percent, and 14 percent of all Tax Year 2005 Forms 990-T filed, respectively.

Tax-exempt organizations’ unrelated business taxable income is subject to the same tax rates as income reported by for-profit filers. Generally, tax-

[2] Internal Revenue Code section 501(d) religious and apostolic organizations and farmers’ cooperatives report taxes on forms other than Form 990-T.

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

Figure B

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

Code section	Description of organization	General nature of activities
220(e)	Archer Medical Savings Accounts (MSA's)	Fiduciary agent for accounts used in conjunction with high-deductible health insurance plans to save funds for future medical expenses
401(a)	Qualified pension, profit-sharing, or stock bonus plans	Fiduciary agent for pension, profit-sharing, or stock bonus plans
408(e)	Traditional Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds
408A	Roth Individual Retirement Accounts (IRA's)	Fiduciary agent for retirement funds; subject to same rules as traditional IRA's, except contributions are not tax deductible and qualified distributions are tax free
501(c)(2)	Title-holding corporations for exempt organizations	Holding title to property for exempt organizations
(3)	Religious, educational, charitable, scientific, or literary organizations; organizations that test for public safety. Also, organizations that prevent cruelty to children or animals, or foster national or international amateur sports competition	Activities of a nature implied by the description of the class of organization
(4)	Civic leagues, social welfare organizations, and local associations of employees	Promotion of community welfare and activities from which net earnings are devoted to charitable, educational, or recreational purposes
(5)	Labor, agricultural, and horticultural organizations	Educational or instructive groups whose purpose is to improve conditions of work, products, and efficiency
(6)	Business leagues, chambers of commerce, real estate boards, and like organizations	Improving conditions in one or more lines of business
(7)	Social and recreational clubs	Pleasure, recreation, and social activities
(8)	Fraternal beneficiary societies and associations	Lodges providing for payment of life, health, accident, or other insurance benefits to members
(9)	Voluntary employees' beneficiary associations (including Federal employees' voluntary beneficiary associations formerly covered by section 501(c)(10))	Providing for payment of life, health, accident, or other insurance benefits to members
(10)	Domestic fraternal beneficiary societies and associations	Lodges, societies, or associations devoting their net earnings to charitable, fraternal, and other specified purposes, without life, health, or accident insurance benefits to members
(11)	Teachers' retirement fund associations	Fiduciary associations providing for payment of retirement benefits

Figure B—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
501(c)(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
(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

Figure B—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
501(c)(27)	State-sponsored workers' compensation reinsurance plans	Pooled employers' funds providing reimbursements to employees for losses arising under workers' compensation acts; also, State-created, -operated, and -controlled organizations providing workers' compensation insurance to employers
529(a)	Qualified State Tuition Plans	State- and agency-maintained plans that allow individuals to purchase credits or certificates, or make contributions to an account, to pay for future educational expenses
530(a)	Coverdell Education Savings Accounts	Fiduciary agent for accounts created for the purpose of paying qualified higher education expenses of a designated beneficiary

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

exempt trusts pay taxes on their unrelated business incomes at the same rates as estate and trust filers, while all other exempt organizations pay taxes at the corporate rate. Nearly 81 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate. Tax-exempt trusts accounted for the additional 19 percent of Forms 990-T filed for the year.

Traditional IRAs, voluntary employees' beneficiary associations, and pension, profit-sharing, and stock bonus plans account for the majority of tax-exempt trusts that file Form 990-T. For Tax Year 2005, these organizations represented 90 percent of all trusts that filed the return. Most other types of Tax Year 2005 Form 990-T filers, including the majority of charitable organizations, were primarily organized as corporations.

The majority of all organizations, 63 percent, that filed Form 990-T for Tax Year 2005 reported gross unrelated business income of $10,000 or more. Approximately half of all organizations that were required to file Form 990-T reported unrelated business income tax liability after subtracting deductions from gross unrelated business income.

Income Information, by Subsection Code

In addition to comprising 32 percent of Form 990-T filers, charitable organizations accounted for even higher percentages of gross unrelated business income, total unrelated business income tax, and other financial items for Tax Year 2005. Figure D shows various financial items for Tax Year 2005, including gross unrelated business income and its components, the ratio of investment income to gross unrelated business income, total deductions, and unrelated business income tax. Charitable organizations accounted for 56 percent of the $10.8 billion in gross unrelated business income reported for Tax Year 2005. They claimed 60 percent of total deductions and reported 49 percent of total unrelated business income tax.

Charitable organizations reported 40 percent of total investment income for Tax Year 2005. However, investment income represented only a small percentage, about 20 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 incomes from investments. For example, traditional IRAs reported more than 90

Figure C

Form 990-T Filers, by Gross Unrelated Business Income, Unrelated Business Taxable Income, Subsection Code, and Type of Organization, Tax Year 2005

Category	Item	Number of returns	Percentage of total
All Forms 990-T	**All returns**	**40,676**	**100.0**
Subsection code	**Total**	**40,676**	**100.0**
	501(c)(3) Religious, educational, charitable, scientific, or literary organizations	13,193	32.4
	501(c)(4) Civic leagues and social welfare organizations	1,569	3.9
	501(c)(5) Labor, agricultural, and horticultural organizations	2,396	5.9
	501(c)(6) Business leagues, chambers of commerce, and real estate boards	6,236	15.3
	501(c)(7) Social and recreational clubs	6,373	15.7
	501(c)(19) War veterans' posts or organizations	1,780	4.4
	408(e) Traditional Individual Retirement Arrangements	5,709	14.0
	Other [1]	3,420	8.4
Type of organization	**Total**	**40,676**	**100.0**
	Corporation	32,893	80.9
	Trust	7,782	19.1
Size of gross unrelated business income	**Total**	**40,676**	**100.0**
	With gross unrelated business income of $10,000 or less	15,116	37.2
	With gross unrelated business income over $10,000	25,560	62.8
Unrelated business taxable income	**Total**	**40,676**	**100.0**
	With unrelated business taxable income	20,387	50.1
	Without unrelated business taxable income	20,289	49.9

[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 health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.
NOTE: Detail may not add to totals because of rounding.

Figure D

Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Subsection Code, Tax Year 2005

[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	40,676	13,193	1,569	2,396	6,236	6,373	1,780	5,709	3,420
Gross unrelated business income	10,849,619	6,077,866	667,199	286,175	1,157,686	665,598	167,516	59,897	1,767,681
Total investment income [2]	2,851,670	1,144,940	19,446	21,587	70,101	104,689	9,344	55,144	1,426,419
Investment income as a percentage of gross unrelated business income	26.0	19.0	2.9	7.5	6.1	16.0	5.6	92.0	81.0
Total deductions	9,635,921	5,775,389	677,189	287,027	1,073,085	615,773	172,452	13,994	1,021,012
Unrelated business taxable income (less deficit)	1,213,698	302,477	-9,990	-852	84,602	49,826	-4,936	45,903	746,669
Unrelated business taxable income	2,044,310	866,549	20,972	26,743	150,771	89,338	8,295	46,042	835,600
Deficit	830,612	564,072	30,962	27,595	66,170	39,512	13,231	139	88,931
Unrelated business income tax	543,264	267,170	5,636	7,151	44,826	21,902	1,275	12,300	183,005
Total tax	540,819	260,497	5,082	7,151	49,496	20,841	1,273	12,268	184,210

[1] This category includes organizations described under sections 501(c)(2), 501(c)(8)-(18), 501(c)(21)-(27), as well as Archer medical savings accounts, exempt under section 220(e); qualified pension, profit-sharing, or stock bonus plans, exempt under section 401(a); Roth Individual Retirement Arrangements, exempt under section 408A; state-sponsored health plans, exempt under section 529(a); and Coverdell education savings accounts, exempt under section 530(a). See Appendix A for additional information on the types of organizations that are required to file Form 990-T.
[2] Total investment income includes capital gain net 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 is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.
NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

percent of their gross unrelated business incomes as investment income.

Income Information, by Organization Type

Figure E further illustrates the differences between tax-exempt trusts and corporate filers. The latter group reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax. Corporate filers reported $9.2 billion in gross unrelated business income, $8.9 billion in total deductions, and $336.4 million in unrelated business income tax.

While representing less than one-fifth of Form 990-T filers, trusts reported higher amounts of total investment income and unrelated business taxable income less deficit than their corporate counterparts. Of the $2.9 billion in investment income received by tax-exempt organizations, more than half was reported by trusts. Overall, trusts reported 93 percent of their gross unrelated business incomes as investment income, compared to 14 percent for corporations. More than 76 percent of unrelated business taxable income less deficit that was reported for Tax Year 2005 was attributable to trusts. They reported approximately 38 percent of total unrelated business income tax for Tax Year 2005.

Summary

Tax-exempt organizations reported more than $10 billion in gross unrelated business income for Tax Year 2005. Total unrelated business income tax liability increased by 49 percent from Tax Year 2004 to $543.3 million.

Charitable organizations, tax-exempt under section 501(c)(3), were the most common Form 990-T filers, representing nearly one-third of all organizations that filed the return for Tax Year 2005. These organizations reported 56 percent of all gross unrelated business income for the year, claimed 60 percent of deductions, and accounted for nearly half of all unrelated business income tax liability.

Nearly 83 percent of all Tax Year 2005 Forms 990-T were filed by tax-exempt organizations that paid taxes at the corporate rate, with tax-exempt trusts accounting for the remainder of filers. Corporate filers reported the majority of gross unrelated business income, total deductions, positive unrelated business taxable income, and unrelated business income tax for Tax Year 2005. Tax-exempt trusts accounted for larger proportions of total investment income and net unrelated business income.

Figure E

Selected Unrelated Business Income Tax Data for Tax-Exempt Organizations, by Type of Organization, Tax Year 2005

[Money amounts are in thousands of dollars]

Item	Type of organization		
	All	Corporation	Trust
	(1)	(2)	(3)
Number of returns	40,676	32,893	7,782
Gross unrelated business income	10,849,619	9,161,977	1,687,642
Total investment income [1]	2,851,670	1,282,576	1,569,094
Investment income as a percentage of gross unrelated business income ratio	26.0	14.0	93.0
Total deductions	9,635,921	8,874,041	761,880
Unrelated business taxable income (less deficit)	1,213,698	287,936	925,762
Unrelated business taxable income	2,044,310	1,095,751	948,559
Deficit	830,612	807,815	22,797
Unrelated business income tax	543,264	336,405	206,859
Total tax	540,819	332,750	208,069

[1] Total investment income includes capital gain net 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 is not taxed, unless the investment was purchased with borrowed funds, i.e. debt-financed.

NOTES: Percentages are based on unrounded data. Detail may not add to totals because of rounding.

Data Sources and Limitations

To report unrelated business income of $1,000 (the filing threshold) or more for Tax Year 2005, Internal Revenue Code section 220(e), 401(a), 408(e), 408A, and 530(a) trusts' required reporting period was Calendar Year 2005, and the Form 990-T filing deadline was April 15, 2006. For all other organizations, the required reporting period was any accounting period beginning in Calendar Year 2005 and, thus, ending between December 2005 and November 2006 for full-year return filers. The associated required due dates for filing Tax Year 2005 Forms 990-T generally fell between May 2006 to April 2007, but extensions of time to file beyond this period were routinely granted to many organizations. Corresponding to the required filing dates, the Tax Year 2005 study sample was drawn from Forms 990-T processed by IRS throughout Calendar Years 2006 and 2007. Because of the various accounting periods of the organizations filing a Tax Year 2005 return, the financial activities covered in this article span the period January 2005 through November 2006, although 59 percent of Form 990-T filers had Calendar Year 2005 accounting periods.

The population from which the Form 990-T sample was drawn consisted of Tax Year 2005 Form 990-T records posted to the IRS Business Master File system during 2006 and 2007. Generally, returns filed after Calendar Year 2007 were not included in the sample. However, in some cases, returns that were considered to be large income-size cases (over $500,000 or more of gross unrelated business income), were added post-sampling. A sample of 8,507 returns was selected from a population of 40,915. After excluding returns that were selected for the sample but later rejected, the resulting sample size was 8,468 returns, and the estimated population size was 40,676. Rejected returns included those that had gross unrelated business income below the $1,000 filing threshold; were filed for a part-year 2005 accounting period, and a full-year 2005 return was also filed; or were filed for a part-year accounting period that began in a year other than 2005.

The Tax Year 2005 Statistics of Income (SOI) Form 990-T study incorporated a two-stage sample design consisting of a stratified random sample and a special "integrated" sample. The stratified random sample was designed to represent the entire population of Form 990-T filers reporting unrelated business income. The integrated sample was designed to gather information on "related" (tax-exempt) and "unrelated" (taxable) income and expenses for section 501(c)(3) nonprofit charitable organizations that filed both Form 990 (or Form 990-EZ) and Form 990-T. This integrated sampling program ensured that the SOI sample of Forms 990-T included any unrelated business income tax returns (with gross unrelated business income of $1,000 or more) filed by organizations whose Form 990 or Form 990-EZ information returns were selected for the separate SOI sample of section 501(c)(3) nonprofit charitable organizations. Organizations exempt under other Code sections were not subjected to the integrated sampling program.

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

Returns in the Form 990-T sample frame were classified into two-dimensional strata, based on the size of gross unrelated business income in the Form 990-T population and the size of assets in the section 501(c)(3) Form 990/990-EZ population of returns having EINs that matched Form 990-T EINs. The designed sampling rates ranged from a minimum of 3.65 percent to a maximum of 100 percent.

The information presented in this article was obtained from returns as originally filed with the Internal Revenue Service. The amount of total tax liability originally reported on Forms 990-T, as stated in these statistics, may not necessarily be the amount ultimately paid to IRS. Changes in tax liability assessments can be made after the original return is filed, by the taxpayer on an amended return, by the IRS after examination, or by litigation. The data were subjected to comprehensive testing and correction procedures in order to improve statistical reliability and validity. In most cases, due to time constraints, changes made to the original return as a result of administrative processing, audit procedures, or a taxpayer amendment were not incorporated into the database.

Because the data are based on a sample, they are subject to sampling error. In order to use these statistics properly, the magnitude of the sampling error, measured by the coefficient of variation (CV), should be taken into account. Figure F shows CVs for selected financial data estimates derived from the Form 990-T stratified random sample. A discussion of the reliability of estimates based on samples and methods for evaluating both the magnitude of sampling and nonsampling error and the precision of sample estimates can be found in *SOI Sampling Methodology and Data Limitations,* located near the back of this issue of the *SOI Bulletin*.

Figure F

Coefficients of Variation for Selected Form 990-T Items, by Size of Gross Unrelated Business Income, Tax Year 2005

Size of gross unrelated business income	Number of returns	Gross unrelated business income	Total deductions	Unrelated business taxable income [1]	Total tax
	Coefficient of variation (percentage)				
	(1)	(2)	(3)	(4)	(5)
Total	**0.16**	**0.13**	**0.23**	**0.48**	**0.57**
$1,000 under $10,001 [2]	1.97	3.32	8.43	6.27	6.95
$10,001 under $100,000 [2]	2.15	1.81	2.69	5.31	6.47
$100,000 under $500,000	1.19	0.94	1.19	3.18	4.16
$500,000 or more	N/A	N/A	N/A	N/A	N/A

N/A—Not applicable because the achieved sample rate was 100 percent.

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

[2] 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.

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 the article. In some of the following explanations, tax-exempt organizations are cited by the Internal Revenue Code section under which they are described. The various types of tax-exempt organizations subject to the unrelated business income tax provisions are described by Code section in the Appendix to this article.

Advertising income—Gross income realized by a tax-exempt organization from the sale of advertising in a periodical was gross income from an unrelated trade or business activity involving the "exploitation of an exempt activity," namely, the circulation and subscriber base of the periodical developed by producing and distributing the mission-related content of that periodical. Advertising income was reported separately from other types of "exploited exempt activity income." (See the explanation of Exploited Exempt Activity Income.) Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported gross advertising income, as well as other types of "exploited exempt activity income," as part of gross receipts from sales and services. All other organizations reported this income separately.

Capital gain net income—Generally, organizations required to file Form 990-T (except organizations tax-exempt under Internal Revenue Code sections 501(c)(7), (9), and (17)) were not taxed on net gains from the sale, exchange, or other disposition of property. However, capital gain net income on sales of debt-financed property, certain gains on the cutting of timber (section 1231), and gains on sales of certain depreciable property (described in Internal Revenue Code sections 1245, 1250, 1252, 1254, and 1255) were considered taxable. Also, any gain or loss passed through from a partnership or S corporation, or any gain or loss on the disposition of S corporation stock by a "qualified tax-exempt" (defined in the explanation of Income (Less Loss) from Partnerships and S Corporations), was taxed as a capital gain or loss. (See the explanation of Investment Income (Less Loss) for information regarding investment income of section 501(c)(7), (9), and (17) organizations.)

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

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

Deductions directly connected with unrelated business income—These were deductions allowed in computing net income, if they otherwise qualified as income tax deductions under the Internal Revenue Code and if they had a "proximate and primary" relationship to carrying on an unrelated trade or business. Allowable deductions included those allocable to rental of personal property; those allocable to unrelated debt-financed income; those allocable to investment income of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; those allocable to interest, annuities, royalties, and rents received from "controlled organizations" (see definition of Income from Controlled Organizations); those allocable to "exploited exempt activity income" other than advertising; direct advertising costs; compensation of officers, directors, and trustees; salaries and wages; repairs and maintenance; bad debts; interest; taxes and licenses; depreciation (unless deducted elsewhere); depletion; contributions to deferred compensation plans; contributions to employee benefit plans; the "net operating loss deduction"; and "other deductions." Tax-exempt organizations with gross unrelated business income above $10,000 were required to report each deduction component separately. Organizations with gross unrelated business income between $1,000 (the filing threshold) and $10,000 reported a single total of the first five types of directly connected expenses listed above (those described as "allocable to") and a single total for all other types of deductions (both deductions directly connected with unrelated business income and those not directly connected, each defined elsewhere in this section), except for two items that were required to be reported separately: the "net operating loss deduction" (directly connected) and the "specific deduction" (not directly connected), both also defined below.

Deductions not directly connected with unrelated business income—The component deductions were "set-asides," "excess exempt expenses," charitable contributions, and the "specific deduction." The specific deduction was reported, when applicable, by all organizations with positive taxable income; the other types of deductions not directly connected with unrelated business income were reported separately, when applicable, only by tax-exempt organizations with gross unrelated business income above $10,000. (See, also, the explanations of Set-Asides, Excess Exempt Expenses, Contributions, and the Specific Deduction.)

Excess exempt expenses—The two types of "excess" expenses allowed as deductions from unrelated business income were (1) excess exempt expenses attributable to commercial exploitation of exempt activities, and (2) excess exempt expenses attributable to advertising income. In the case of "exploited" exempt activity income (see the explanation of Exploited Exempt Activity Income, Except Advertising, below), if the expenses of the organization's exempt activity exceeded income from the exempt activity, then the excess expenses could be used to offset any positive net unrelated business income produced from exploiting the exempt activity, to the extent that it did not result in a loss. Excess expenses of one type of commercially exploited exempt activity could not be used to offset income from another type of unrelated business activity, unless both types commercially exploited the same exempt activity. In the case of excess exempt expenses attributable to advertising income, if the expenses attributable to producing and distributing the readership content of a periodical exceeded the circulation income, then the excess of readership costs over circulation income could be used to offset any net gain from advertising (gross advertising income less direct advertising costs), to the extent that it did not result in a loss.

Exploited exempt activity income, except advertising—In some cases, exempt activities create goodwill or other intangibles that are capable of being exploited in a commercial manner. When an organization exploited such an intangible in commercial activities that did not contribute importantly to the accomplishment of an exempt purpose, the income it produced was gross income from an unrelated trade or business. An example of this type of activity would be an exempt scientific organization with an excellent reputation in the field of biological research that exploits its reputation regularly by selling endorsements of laboratory equipment to manufacturers. Endorsing laboratory equipment would not have contributed importantly to the accomplishment of any purpose for which tax exemption was granted to the organization. Accordingly, the income from selling such endorsements is gross unrelated business income. Exploited exempt activity income from advertising was reported separately from other types of exploited exempt activity income (see the explanation of Advertising Income). Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported income from exploited exempt activities as part of gross receipts from sales and services. All other organizations reported this income separately.

Gross profit (less loss) from sales and services—This was the gross profit (less loss) from any unrelated trade or business regularly carried on that involved the sale of goods or performance of services. Gross profit (less loss) from sales and services is computed as gross receipts from sales or services, less returns and allowances, minus cost of sales and services.

Gross unrelated business income—This was the total gross unrelated business income prior to reduction by allowable deductions used in computing unrelated business taxable income. All organizations were required to report detailed sources of gross unrelated business income. The components of gross unrelated business income were gross profit (less loss) from sales and services; capital gain net income; net gain (less loss) from sales of noncapital assets; net capital loss deduction (trusts only); income (less loss) from partnerships and S corporations; rental income; unrelated debt-financed income; investment income (less loss) of Internal Revenue Code section 501(c)(7), (9), and (17) organizations; income (annuities, interest, rents, and royalties) from controlled organizations; "exploited exempt activity" income, except advertising; advertising income; and "other" income (less loss). (For an explanation of these sources of income, see the separate explanations of each component.)

A tax-exempt organization's income was treated as unrelated business income if it was from a trade or business that was regularly carried on by the organization and that was not substantially related to the performance of the organization's exempt purpose or function (other than that the organization needed the profits derived from the unrelated activity). The term "trade or business" generally comprised any activities carried on for the production of income from selling goods or performing services. These activities did not lose their identity as trades or businesses merely because they were carried on within a larger aggregate of similar activities or within a larger complex of other endeavors that may, or may not, have been related to the exempt purposes of the organization. Soliciting, selling, or publishing commercial advertising, for example, is identified as a trade or business, even though the advertising is published in an exempt organization's periodical that contains editorial material that is related to the organization's exempt purpose.

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

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

Investment income (less loss)—This income was reported only by organizations exempt under Internal Revenue Code sections 501(c)(7), (9), and (17) and included such income as gross unrelated debt-financed income, gross income from the ownership or sale of securities, and set-asides deducted from investment income in previous years that were subsequently used for a purpose other than that for which a deduction was allowed. (See, also, the explanation of Set-Asides.) All gross rents (except those that were exempt-function income) from investment property of section 501(c)(7), (9), and (17) organizations were treated as unrelated business income and were reported as "rental income." Organizations exempt under sections other than 501(c)(7), (9), and (17) did not report "investment income (less loss)." Generally, these organizations' investment income (dividends, interest, rents, and annuities) and royalty income were not taxed as unrelated business income, unless it was income, other than dividends, from a controlled organization or debt-financed income, or the rents were of the type described in the explanation of rental income. (See the explanations of Income from Controlled Organizations, Rental Income, and Unrelated Debt-Financed Income.)

Net capital loss (trusts only)—If a trust had a net loss from sales or exchanges of capital assets, it was allowed a deduction for the amount of the net loss or $3,000, whichever was lower. (Tax-exempt corporations were not allowed to deduct any excesses of capital losses over capital gains.) Tax-exempt trusts reported the net capital loss deduction on Form 990-T as a component of gross unrelated business income, and it was subtracted when computing total gross unrelated business income.

Net gain (less loss), Sales of Noncapital Assets—This was the gain or loss from the sale or exchange of business property, as reported on Form 4797, *Sales of Business Property*. Property other than capital assets generally included property of a business nature, in contrast to personal and investment properties, which were capital assets.

Net operating loss deduction—The net operating loss carryover or carryback (as described in Internal Revenue Code section 172) was allowed as a deduction (limited to the current-year excess of receipts over deductions, prior to applying the net operating loss deduction) in computing unrelated business taxable income. However, the net operating loss carryover or carryback (allowed only to or from a tax year for which the organization was subject to tax on unrelated business income) was determined without taking into account any amount of exempt-function income or deductions that had been excluded from the computation of unrelated business taxable income. A "net operating loss" represented the excess of deductions over receipts for a specified year for which an organization reported an overall deficit from its unrelated trade or business activities. The net operating loss deduction statistics in this article represent only net operating loss carryovers from prior years because carrybacks from future years would be reported in a later year on an amended return, not on the return as initially filed (which served as the basis for the statistics).

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

Other income (less loss)—This included all types of unrelated business income that were not specifically required to be reported elsewhere on the tax return. Examples are insurance benefit fees; member support fees; commissions; returned contributions that were deducted in prior years; income from insurance activities that was not properly set aside in prior years; recoveries of bad debts; and refunds of State or local government tax payments, if the payments were previously reported as a deduction.

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

Rental income—For organizations tax-exempt under Internal Revenue Code sections other than 501(c)(7), (9), and (17), this was the amount of (1) gross rents from personal property (e.g., computer equipment or furniture) leased with real property, if the rental income from the personal property was more than 10 percent, but not more than 50 percent, of the total rents from all leased property; or (2) gross rents from both real property and personal property leased with real property if the personal property was more than 50 percent of the total rents from all leased property. Except for the second situation described above, gross rents from real property were generally excluded in computing unrelated business taxable income. In addition, gross rents from personal property that did not exceed 10 percent of the total rents from all leased property were not included in gross unrelated business income. Any rents not covered by the explanation of "rental income" had to be considered in terms of their taxability as unrelated business income from controlled organizations or unrelated debt-financed income, in that order. For organizations tax-exempt under sections 501(c)(7), (9), and (17), rental income included all gross rents (except those that were exempt-function income), with no exclusions. (See the explanations of Income from Controlled Organizations and Unrelated Debt-Financed Income.)

Set-asides—This deduction from investment income was allowed to social and recreational clubs (Internal Revenue Code section 501(c)(7)), voluntary employees' beneficiary associations (section 501(c)(9)), and supplemental unemployment benefit trusts (section 501(c)(17)). The deduction was equal to the amount of passive income (generally, investment income) that these organizations set aside (1) to be used for charitable purposes or (2) to provide payment of life, health, accident, or other insurance benefits (section 501(c)(9) and (17) organizations only). However, any amounts set aside that exceeded the "qualified asset account" limit, as figured under section 419A, were not allowed as a deduction from unrelated business investment income; they were treated as taxable investment income. A section 419A qualified asset account is any account consisting of assets set aside to provide for the payment of disability benefits, medical benefits, severance pay benefits, or life insurance benefits.

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

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

Total tax—Total tax was unrelated business income tax less the foreign tax credit, general business credit, credit for prior-year minimum tax, and other allowable credits, plus the "proxy tax" on certain lobbying and political expenditures, the "alternative minimum tax," and "other" taxes.

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

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

Unrelated business income—See the explanation 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 Tax Year 2005, as shown in the following schedules. Trusts that were eligible for the maximum 28-percent tax rate on capital gain net income figured their tax based on Schedule D of Form 1041, *U.S. Income Tax Return for Estates and Trusts*.

Tax Rates for Corporations

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$50,000	15%	$0
50,000	75,000	$7,500 + 25%	50,000
75,000	100,000	13,750 + 34%	75,000
100,000	335,000	22,250 + 39%	100,000
335,000	10,000,000	113,900 + 34%	335,000
10,000,000	15,000,000	3,400,000 + 35%	10,000,000
15,000,000	18,333,333	5,150,000 + 38%	15,000,000
18,333,333	0	35%	0

Tax Rates for Trusts

Amount of unrelated business taxable income is:

Over—	But not over—	Tax is:	Of the amount over—
$ 0	$2,000	15%	$0
2,000	4,700	$292.50 + 25%	2,000
4,700	7,150	955 + 28%	4,700
7,150	9,750	1,627 + 33%	7,150
9,750	0	2,468.50 + 35%	9,750

Unrelated business taxable income (less deficit)—This was gross income derived from any unrelated trade or business regularly carried on by an exempt organization, less deductions directly connected with carrying on the trade or business and less other allowable deductions not directly connected. On a return-by-return basis, the result of this computation was either positive (unrelated business taxable income), negative (deficit), or zero. Taxable income was subject to the unrelated business income tax. (See, also, the explanations of Deductions Directly Connected with Unrelated Business Income and Deductions Not Directly Connected with Unrelated Business Income.)

Unrelated debt-financed income—Gross income from investment property for which acquisition indebtedness was outstanding at any time during the tax year was subject to the unrelated business income tax. The percentage of investment income to be included as gross unrelated business income was proportional to the ratio of average acquisition indebtedness to the average adjusted basis of the property. Various types of passive income (generally, investment income) were considered to be unrelated debt-financed income, but only if the income arose from property acquired or improved with borrowed funds and if the production of income was unrelated to the organization's tax-exempt purpose. When any property held for the production of income by an organization was disposed of at a gain during the tax year, and there was acquisition indebtedness outstanding at any time during the 12-month period prior to the date of disposition, the property was considered debt-financed property, and the gain was treated as unrelated debt-financed income. Income from debt-financed property did not include rents from personal property (e.g., computers or furniture) leased with real property, certain passive income (generally, investment income) from controlled organizations, and other amounts that were otherwise included in computing unrelated business taxable income. Internal Revenue Code section 501(c)(7), (9), and (17) organizations reported all debt-financed income as "Investment Income (Less Loss)." All other organizations reported debt-financed income separately.

Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005

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

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		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	**40,676**	**10,849,619**	**40,514**	**9,635,921**	**32,699**	**1,213,698**	**20,387**	**2,044,310**	**20,360**	**540,819**
220(e) Archer Medical Savings Accounts	0	0	0	0	0	0	0	0	0	0
401(a) Qualified pension, profit-sharing, or stock bonus plans	607	376,283	549	153,694	552	222,589	546	225,558	547	56,832
408(e) Traditional Individual Retirement Arrangements	5,709	59,897	5,703	13,994	5,569	45,903	5,440	46,042	5,394	12,268
408(A) Roth Individual Retirement Arrangements	* 40	* 3,068	* 39	* 1,768	* 40	* 1,301	* 40	* 1,301	* 40	* 387
501(c)(2) Title-holding corporations for exempt organizations [6]	309	118,937	309	134,516	281	-15,579	129	17,542	129	5,694
501(c)(3) Religious, educational, charitable, scientific, or literary organizations	13,193	6,077,866	13,162	5,775,389	10,421	302,477	5,317	866,549	5,357	260,497
501(c)(4) Civic leagues and social welfare organizations	1,569	667,199	1,569	677,189	1,028	-9,990	415	20,972	404	5,082
501(c)(5) Labor, agricultural, and horticultural organizations	2,396	286,175	2,396	287,027	1,908	-852	809	26,743	809	7,151
501(c)(6) Business leagues, chambers of commerce, and real estate boards	6,236	1,157,686	6,236	1,073,085	4,239	84,602	2,064	150,771	2,169	49,496
501(c)(7) Social and recreational clubs	6,373	665,598	6,338	615,773	5,287	49,826	4,001	89,338	3,895	20,841
501(c)(8) Fraternal beneficiary societies and associations	834	58,788	834	61,399	720	-2,610	310	2,679	311	452
501(c)(9) Voluntary employees' beneficiary associations	716	993,197	714	442,930	442	550,267	370	563,465	370	113,290
501(c)(10) Domestic fraternal beneficiary societies and associations	397	29,057	397	29,822	252	-765	73	1,291	73	265
501(c)(11) Teachers' retirement fund associations	d	d	d	d	d	d	d	d	d	d
501(c)(12) Benevolent life insurance associations and certain mutual companies	237	75,412	237	74,835	214	577	96	8,703	96	2,649
501(c)(13) Cemetery companies	48	3,478	48	2,581	42	897	37	1,197	37	282
501(c)(14) State-chartered credit unions	166	93,800	166	108,457	162	-14,656	101	9,080	95	2,752
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	* 7	* 7,173	* 7	* 2,724	* 7	* 4,449	* 7	* 4,449	* 7	* 1,548
501(c)(19) War veterans' posts or organizations	1,780	167,516	1,752	172,452	1,505	-4,936	604	8,295	598	1,273
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	28	35	28	35	0	0	0	0	0	0
501(c)(23) Veterans' associations founded before 1880	0	0	0	0	0	0	0	0	0	0

Footnotes at end of table.

Table 1. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Type of Tax-Exempt Organization, Tax Year 2005—Continued

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

Type of tax-exempt organization, as defined by Internal Revenue Code section	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
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	d	d	d	d	d	d	d	d	d	d
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

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

d—Data deleted to avoid disclosure of information for specific taxpayers. However, data are included in the appropriate totals.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.

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

[3] Excludes data from 7,977 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 $5.4 million.

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

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

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

Table 2. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Size of Gross UBI, Tax Year 2005

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

Size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1,2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	**40,676**	**10,849,619**	**40,514**	**9,635,921**	**32,699**	**1,213,698**	**20,387**	**2,044,310**	**20,360**	**540,819**
$1,000 under $10,001 [6]	15,116	61,732	15,030	60,228	12,262	1,504	9,536	20,695	9,529	3,495
$10,001 under $100,000 [6]	14,336	535,435	14,284	522,583	11,510	12,852	6,219	107,261	6,172	20,201
$100,000 under $500,000	8,302	1,795,803	8,280	1,765,073	6,641	30,730	3,392	255,273	3,371	68,287
$500,000 under $1,000,000	1,317	923,265	1,315	883,579	1,030	39,685	597	136,160	607	40,914
$1,000,000 under $5,000,000	1,276	2,636,190	1,276	2,456,176	996	180,015	499	390,985	520	115,985
$5,000,000 or more	329	4,897,194	329	3,948,282	260	948,912	144	1,133,935	161	291,937

[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 $3.0 billion.
[2] Includes both expenses and deductions reported on Form 990-T, lines 13(B), 29, 31, and 33.
[3] Excludes data from 7,977 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 $5.4 million.
[6] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 under $100,000" reflect the different filing requirements for organizations with gross UBI of $10,000 or less (not required to report itemized expenses and deductions, or to complete return schedules) and all other Form 990-T filers (required to file a more detailed "complete" return). Organizations with gross UBI below $1,000 were not required to file Form 990-T.
NOTE: Detail may not add to totals because of rounding.

Table 3. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), and Total Tax, by Size of Unrelated Business Taxable Income or Deficit, Tax Year 2005

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

Size of unrelated business taxable income or deficit	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit)		Total tax [3]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Total	**40,676**	**10,849,619**	**40,514**	**9,635,921**	**32,699**	**1,213,698**	**20,360**	**540,819**
Deficit	12,313	3,777,599	12,313	4,608,211	12,313	-830,612	48	725
Zero [4]	7,977	2,249,017	7,977	2,249,016	0	0	151	1,179
$1 under $1,000	4,390	44,196	4,390	42,274	4,390	1,922	4,327	284
$1,000 under $10,000	8,519	276,329	8,434	241,860	8,519	34,469	8,450	5,959
$10,000 under $100,000	5,691	888,514	5,639	704,874	5,691	183,641	5,616	33,645
$100,000 under $500,000	1,344	875,865	1,322	594,463	1,344	281,403	1,329	86,913
$500,000 under $1,000,000	190	407,541	188	272,563	190	134,977	189	42,066
$1,000,000 or more	252	2,330,557	252	922,660	252	1,407,898	250	370,050

[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 $3.0 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 $5.4 million.
[4] The Zero category includes returns with equal amounts of gross unrelated business income and total deductions.
NOTE: Detail may not add to totals because of rounding.

Table 4. Returns with Positive Unrelated Business Taxable Income: Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income, and Total Tax, by Type of Entity and Size of Gross UBI, Tax Year 2005

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

Type of entity and size of gross unrelated business income (UBI)	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income	Total tax [3]	
			Number of returns	Amount		Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
ALL ENTITIES							
Total	**20,387**	**4,823,003**	**20,225**	**2,778,693**	**2,044,310**	**20,161**	**538,916**
$1,000 under $10,001 [4]	9,536	35,477	9,450	14,782	20,695	9,502	3,459
$10,001 under $100,000 [4]	6,219	222,202	6,166	114,940	107,261	6,126	19,890
$100,000 under $500,000	3,392	746,469	3,370	491,197	255,273	3,312	68,046
$500,000 under $1,000,000	597	416,740	595	280,580	136,160	590	40,789
$1,000,000 under $5,000,000	499	1,016,818	499	625,833	390,985	492	115,589
$5,000,000 or more	144	2,385,297	144	1,251,362	1,133,935	140	291,143
TAX-EXEMPT CORPORATIONS							
Total	**13,628**	**3,591,153**	**13,532**	**2,495,402**	**1,095,751**	**13,450**	**331,208**
$1,000 under $10,001 [4]	4,493	19,694	4,407	8,555	11,139	4,486	1,679
$10,001 under $100,000 [4]	5,164	193,917	5,157	111,376	82,540	5,088	13,232
$100,000 under $500,000	2,940	651,100	2,937	474,722	176,378	2,862	45,346
$500,000 under $1,000,000	521	362,511	521	269,661	92,850	514	28,694
$1,000,000 under $5,000,000	394	776,628	394	569,082	207,546	388	67,517
$5,000,000 or more	116	1,587,303	116	1,062,005	525,298	112	174,740
TAX-EXEMPT TRUSTS							
Total	**6,759**	**1,231,850**	**6,693**	**283,291**	**948,559**	**6,711**	**207,708**
$1,000 under $10,001 [4]	5,044	15,783	5,044	6,227	9,556	5,016	1,780
$10,001 under $100,000 [4]	1,055	28,285	1,009	3,564	24,721	1,037	6,658
$100,000 under $500,000	452	95,369	433	16,474	78,895	450	22,700
$500,000 under $1,000,000	76	54,229	74	10,919	43,311	76	12,095
$1,000,000 under $5,000,000	105	240,190	105	56,751	183,439	104	48,072
$5,000,000 or more	28	797,994	28	189,357	608,637	28	116,403

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For exempt organizations reporting positive unrelated business taxable income, cost of sales and services was $1.1 billion, 99 percent of which was attributable to tax-exempt corporations.

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

[3] Total tax is the regular unrelated business income tax after reduction by any tax credits (foreign tax credit, general business credit, prior-year minimum tax credit, and other allowable credits), plus the "alternative minimum tax," the "proxy" tax on nondeductible lobbying and political expenditures, and "other" taxes. The proxy tax was reported on Form 990-T and was included in total tax; however, it had no connection to the tax on unrelated business income or an organization's involvement in unrelated business activities. For exempt organizations reporting posititve unrelated business taxable income, total proxy tax was $4.5 million.

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

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

Table 5. Number of Returns, Gross Unrelated Business Income (UBI), Total Deductions, Unrelated Business Taxable Income (Less Deficit), Unrelated Business Taxable Income, and Total Tax, by Primary Unrelated Business Activity or Industrial Grouping, Tax Year 2005

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

Primary unrelated business activity or industrial grouping	Number of returns	Gross unrelated business income (UBI)	Total deductions [1, 2]		Unrelated business taxable income (less deficit) [3]		Unrelated business taxable income [4]		Total tax [5]	
			Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
All activities and groupings	**40,676**	**10,849,619**	**40,514**	**9,635,921**	**32,699**	**1,213,698**	**20,387**	**2,044,310**	**20,360**	**540,819**
Agriculture, forestry, hunting, and fishing	276	77,928	276	48,203	220	29,725	67	33,070	68	10,674
Mining	306	49,752	306	23,168	274	26,585	252	26,854	244	5,536
Utilities	92	27,036	92	27,279	89	-243	* 27	* 1,382	* 27	* 308
Construction	97	112,108	97	107,639	91	4,469	50	7,388	50	2,317
Manufacturing	229	108,778	223	62,644	176	46,134	156	49,659	157	15,934
Wholesale trade	52	26,349	52	6,918	52	19,431	44	19,814	44	5,819
Retail trade	1,285	718,424	1,285	749,338	1,018	-30,914	429	37,587	438	11,702
Transportation and warehousing	70	9,249	70	7,309	69	1,940	* 56	* 2,733	* 56	* 824
Information	651	205,737	651	203,269	526	2,469	194	20,834	168	5,489
Finance and insurance, total	12,386	2,575,133	12,267	1,584,925	10,859	990,208	9,619	1,119,096	9,548	262,294
Unrelated debt-financed activities, other than rental of real estate	1061	259,332	1026	126,694	972	132,638	871	146,710	866	43,740
Investment activities of Code section 501(c)(7), (9), and (17) organizations [6]	3,468	1,075,010	3,437	498,152	2,710	576,858	2,549	584,945	2,527	116,812
Passive income activities with controlled organizations	463	237,634	457	211,490	395	26,144	299	66,842	301	16,072
Other finance and insurance	7,395	1,003,156	7,347	748,589	6,783	254,567	5,900	320,599	5,854	85,670
Real estate and rental and leasing, total	7,050	1,204,073	7,015	1,098,185	6,028	105,888	3,622	218,870	3,619	60,587
Rental of personal property	428	70,115	428	72,550	348	-2,435	194	4,341	196	1,057
Other real estate and rental and leasing	6,622	1,133,959	6,587	1,025,635	5,680	108,323	3,428	214,529	3,423	59,530
Professional, scientific, and technical services	8,249	2,133,972	8,249	2,008,164	5,383	125,808	2,461	250,555	2,562	83,344
Management of companies and enterprises	65	56,178	65	18,880	65	37,297	60	39,837	60	12,591
Administrative and support and waste management and remediation services	844	437,386	844	440,403	655	-3,017	232	33,134	235	10,413
Educational services	84	91,104	84	101,672	70	-10,568	* 7	* 2,173	* 7	* 672
Healthcare and social assistance	987	1,380,332	987	1,412,912	792	-32,580	332	89,221	347	29,321
Arts, entertainment, and recreation	4,385	748,499	4,385	797,228	3,308	-48,728	1,628	41,737	1,620	10,377
Accommodation and food services	2,777	675,809	2,775	720,578	2,379	-44,769	771	37,500	724	9,026
Other services	521	126,123	521	135,543	409	-9,420	241	4,984	245	1,298
Exploited exempt activities	236	84,568	236	80,610	205	3,958	111	7,824	113	2,284
Not allocable	* 32	* 1,081	* 32	* 1,055	* 31	* 26	* 29	* 57	* 29	* 9

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

[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 $3.0 billion.

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

[3] Excludes data from 7,977 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 $5.4 million.

[6] Section 501(c)(7) organizations are social and recreational clubs; section 501(c)(9) organizations are voluntary employees' beneficiary associations; and section 501(c)(17) organizations are supplemental unemployment benefit trusts.

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

Table 6. Sources of Gross Unrelated Business Income (UBI), by Size of Gross UBI, Tax Year 2005

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

Size of gross unrelated business income (UBI)	Gross unrelated business income (UBI)		Sources of gross unrelated business income (UBI): Gross profit (less loss) from sales and services		Capital gain net income		Net capital loss (trusts only)		Net gain (less loss), sales of noncapital assets [2]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Total	**40,676**	**10,849,619**	**15,745**	**5,196,540**	**2,281**	**984,118**	**52**	**388**	**213**	**3,163**
$1,000 under $10,001 [1]	**15,116**	**61,732**	**2,876**	**7,686**	**827**	**3,752**	**0**	**0**	*** 7**	*** 6**
$10,001 or more, total [1]	**25,560**	**10,787,887**	**12,869**	**5,188,854**	**1,454**	**980,366**	**52**	**388**	**206**	**3,157**
$10,001 under $100,000	14,336	535,435	5,977	212,835	808	15,417	6	17	74	935
$100,000 under $500,000	8,302	1,795,803	5,025	911,930	368	52,188	20	58	72	2,320
$500,000 under $1,000,000	1,317	923,265	827	472,772	82	35,060	9	30	15	1,706
$1,000,000 under $5,000,000	1,276	2,636,190	813	1,386,805	134	130,080	** 17	** 283	** 45	** -1,805
$5,000,000 or more	329	4,897,194	227	2,204,512	61	747,621	**	**	**	**

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued: Income (less loss) from partnerships and S corporations		Rental income [3]		Unrelated debt-financed income		Investment income (less loss) [4]	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
Total	**8,377**	**705,861**	**4,455**	**276,007**	**3,537**	**493,089**	**5,757**	**668,602**
$1,000 under $10,001 [1]	**5,460**	**13,609**	**1,032**	**4,719**	**888**	**3,559**	**2,559**	**7,720**
$10,001 or more, total [1]	**2,917**	**692,252**	**3,423**	**271,289**	**2,649**	**489,530**	**3,197**	**660,882**
$10,001 under $100,000	1,546	32,400	2,262	53,044	1,524	46,137	1,490	21,366
$100,000 under $500,000	800	94,181	882	83,307	814	119,888	1,301	73,040
$500,000 under $1,000,000	177	53,688	138	37,485	125	55,576	246	42,727
$1,000,000 under $5,000,000	272	177,525	112	53,570	137	121,987	139	150,847
$5,000,000 or more	122	334,457	29	43,883	49	145,943	22	372,902

Size of gross unrelated business income (UBI)	Sources of gross unrelated business income (UBI)—continued: Income from controlled organizations [5]		Exploited exempt activity income, except advertising		Advertising income		Other income (less loss)	
	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount	Number of returns	Amount
	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
Total	**1,049**	**211,795**	**959**	**175,670**	**8,294**	**1,467,341**	**5,324**	**667,820**
$1,000 under $10,001 [1]	**189**	**704**	**205**	**1,102**	**2,576**	**10,987**	**1,116**	**7,888**
$10,001 or more, total [1]	**859**	**211,092**	**753**	**174,568**	**5,718**	**1,456,353**	**4,208**	**659,932**
$10,001 under $100,000	338	7,438	256	4,928	3,157	92,350	2,068	48,600
$100,000 under $500,000	348	29,415	317	29,382	1,874	283,518	1,622	116,692
$500,000 under $1,000,000	54	13,302	59	18,840	283	136,276	227	55,862
$1,000,000 under $5,000,000	85	53,848	100	67,435	329	370,185	217	125,090
$5,000,000 or more	34	107,089	21	53,982	75	574,024	74	313,688

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

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

[1] The gross unrelated business income (UBI) brackets of "$1,000 under $10,001" and "$10,001 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.

[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.

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

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

Table 7. Unrelated Business Income Tax Returns: Types of Deductions, by Size of Gross Unrelated Business Income (UBI), Tax Year 2005

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

Item	Size of gross unrelated business income					
	All		$1,000 under $10,001 [3]		$10,001 under $100,000 [3]	
	Size of gross unrelated business income	Amount	Number of returns	Amount	Number of returns	Amount
	(1)	(2)	(3)	(4)	(5)	(6)
Number of returns	**40,676**	**N/A**	**15,116**	**N/A**	**14,336**	**N/A**
Total deductions [1, 2]	**40,514**	**9,635,921**	**15,030**	**60,228**	**14,284**	**522,583**
Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]:						
Total deductions [2, 4]	**15,030**	**60,228**	**15,030**	**60,228**	**N/A**	**N/A**
Net operating loss deduction	1,265	2,579	1,265	2,579	N/A	N/A
Specific deduction	10,501	10,133	10,501	10,133	N/A	N/A
Organizations with gross unrelated business income (UBI) of $10,001 or more [3]:						
Total deductions [2, 5]	**25,484**	**9,575,693**	**N/A**	**N/A**	**14,284**	**522,583**
Deductions directly connected with UBI, tota	**23,520**	**8,778,094**	**N/A**	**N/A**	**12,771**	**488,456**
Allocable to rental income [6]	1,796	190,942	N/A	N/A	1,192	32,207
Allocable to unrelated debt-financed income [6]	2,369	479,510	N/A	N/A	1,334	49,414
Allocable to investment income [6,7]	1,142	113,345	N/A	N/A	361	4,337
Allocable to income from controlled organizations [6]	515	163,695	N/A	N/A	209	5,237
Allocable to exploited exempt-activity income, except advertising [6]	674	144,811	N/A	N/A	233	3,984
Direct advertising costs [6]	5,233	1,026,698	N/A	N/A	2,875	68,566
Compensation of officers, directors, and trustees	1,969	54,232	N/A	N/A	860	8,055
Salaries and wages	11,033	1,712,568	N/A	N/A	4,881	93,422
Repairs and maintenance	8,077	120,202	N/A	N/A	3,784	12,864
Bad debts	962	37,642	N/A	N/A	192	218
Interest	3,200	68,908	N/A	N/A	1,290	7,666
Taxes and licenses paid deduction	11,622	226,638	N/A	N/A	5,686	19,964
Depreciation	7,965	241,639	N/A	N/A	3,559	17,901
Depletion	91	7,489	N/A	N/A	44	310
Contributions to deferred compensation plans	1,124	14,877	N/A	N/A	305	373
Contributions to employee benefit programs	5,677	255,443	N/A	N/A	1,924	7,182
Net operating loss deduction	3,780	371,824	N/A	N/A	2,082	17,285
Other deductions	15,091	3,547,629	N/A	N/A	7,344	139,473
Deductions not directly connected with UBI, total	**13,903**	**797,598**	**N/A**	**N/A**	**7,827**	**34,127**
Specific deduction	11,502	11,144	N/A	N/A	6,640	6,437
Charitable contributions	2,220	129,021	N/A	N/A	1,012	3,755
Set-asides [7]	322	313,810	N/A	N/A	107	1,771
Excess exempt-activity expenses [8]	2,772	343,622	N/A	N/A	1,391	22,163

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 2005—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	**1,317**	**N/A**	**1,276**	**N/A**	**329**	**N/A**
Total deductions [1, 2]	**1,315**	**883,579**	**1,276**	**2,456,176**	**329**	**3,948,282**
Organizations with gross unrelated business income (UBI) of $1,000 under $10,001 [3]:						
Total deductions [2, 4]	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
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 [3]:						
Total deductions [2, 5]	**1,315**	**883,579**	**1,276**	**2,456,176**	**329**	**3,948,282**
Deductions directly connected with UBI, total	**1,276**	**827,668**	**1,226**	**2,261,346**	**315**	**3,545,717**
Allocable to rental income [6]	77	28,132	76	38,098	24	33,740
Allocable to unrelated debt-financed income [6]	121	62,253	128	121,032	42	127,093
Allocable to investment income [6,7]	151	5,598	77	8,221	9	87,971
Allocable to income from controlled organizations [6]	34	9,602	55	31,578	25	98,085
Allocable to exploited exempt-activity income, except advertising [6]	52	15,645	94	55,243	19	44,789
Direct advertising costs [6]	269	97,555	310	257,747	69	400,561
Compensation of officers, directors, and trustees	134	5,819	130	12,076	44	8,738
Salaries and wages	749	189,701	705	487,713	192	541,360
Repairs and maintenance	500	14,864	483	26,875	125	28,751
Bad debts	131	2,888	172	11,973	67	20,579
Interest	223	8,082	195	16,334	60	17,767
Taxes and licenses paid deduction	651	28,809	619	40,232	175	61,645
Depreciation	508	30,642	557	64,201	165	67,621
Depletion	9	714	3	887	4	4,502
Contributions to deferred compensation plans	150	1,601	106	5,971	19	4,557
Contributions to employee benefit programs	493	22,222	546	84,059	161	104,135
Net operating loss deduction	235	29,700	261	98,521	77	186,506
Other deductions	926	273,842	955	900,584	268	1,707,319
Deductions not directly connected with UBI, total	**748**	**55,911**	**666**	**194,829**	**194**	**402,564**
Specific deduction	612	602	498	495	144	144
Charitable contributions	131	5,942	174	21,966	81	81,436
Set-asides [7]	32	15,423	47	73,065	10	196,814
Excess exempt-activity expenses [8]	165	33,945	214	99,303	51	124,170

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

N/A—Not applicable.

[1] Excludes cost of sales and services, which was subtracted from gross receipts from sales and services in computing gross profit from sales and services. Gross profit from sales and services was a component of gross unrelated business income (UBI). Cost of sales and services can include amounts attributable to depreciation, salaries and wages, and certain other deductible items. For all exempt organizations reporting gross UBI, cost of sales and services was $3.0 billion.

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

[3] Organizations with gross UBI between $1,000 (the filing threshold) and $10,000 were required to report only totals for expenses and deductions (except for the specific deduction and net operating loss deduction, which all organizations reported separately). Organizations with gross UBI over $10,000 were required to report each expense and deduction item separately.

[4] Excludes $62.3 million of cost of sales and services reported by organizations with gross UBI of $10,000 or less. See footnote 1 for explanation.

[5] Excludes $3.0 billion of cost of sales and services reported by organizations with gross UBI over $10,000. See footnote 1 for explanation.

[6] This deduction was required to be reported as a lump-sum total only and may have included component deductions that were of the same type shown elsewhere in this table. For example, if deductions "allocable to rental income" included depreciation, then that amount of depreciation would not be included in the separately reported item, "depreciation." Therefore, the total amount shown for some of the separately reported deductions may be understated.

[7] Reported by Internal Revenue Code section 501(c)(7) social and recreational clubs, section 501(c)(9) voluntary employees' beneficiary associations, and section 501(c)(17) supplemental unemployment benefit trusts only.

[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.