**Income Unrelated to Your Organization’s Mission:**

**A Quick Overview**

*What does unrelated business income mean?*

Any activity that is not directly related to the mission of your organization, the mission which earned it tax exempt status in the first place, is fair game for taxation. US Internal Revenue Code (IRC) 512 defines “unrelated business taxable income” as anything not directly pertaining to the mission of the organization. One might be tempted to classify all manner of sales activity as “related” by assuming that income is related to the mission of their organization. This is not so. The code is clear that income cannot be construed as “related” merely because it is required to pay bills and keep the organization going.

*Is your fundraising activity “unrelated”?*

3 Common exceptions:

1. the unrelated activity is not “regularly carried on”
   1. The code does not specify a frequency of occasions per year or length of days an activity must be conducted to be considered “regular.” However, Treas. Reg. § 1.513-1(c)(2)(iii) does note that annual activities are *not* automatically considered regular. Basically, the spirit of the law suggests that your unrelated activity should never appear similar to a typical for-profit business activity.
   2. For example, an exempt symphony orchestra may sell advertising space in its seasonal program which is distributed at an annual fundraiser because this is not a regular event. However, note that Rev. Rul. 75-201, 1975-1 C.B. 164 ruled that the sale of advertising space in a free weekly distributed concert program is a business “regularly carried on.” This is not legal for exempt organizations. If this seems too similar to the legal example, note that the weekly advertising activity did not differ substantially from what one would find among nonexempt commercial advertising practices.
2. the sale of *donated* goods
   1. An organization may sell donated product (e.g., donated raffle items). See IRC 513(a)(3) or google IRC 513 and get [this pdf](http://www.gpo.gov/fdsys/pkg/USCODE-2011-title26/pdf/USCODE-2011-title26-subtitleA-chap1-subchapF-partIII-sec513.pdf).
3. Fundraisers at state fairs or trade shows
   1. You may promote your organization’s mission and even sell unrelated products at such events because these annual events are not “considered regularly carried on”