Determining the Taxability and Reporting Requirements for Rental Income

Start

Is the organization receiving the rent an entity described in IRC Sec. 501(c)(7), (9), or (17)?

Yes

Does the rental income qualify as exempt function income?

Yes

The rental income and directly related expenses are not included in UBI or reported on Form 990-T.

No

Is the income earned from debt-financed property?

Yes

Report income and directly related expenses on Form 990-T, Schedule E.

No

Is the income received from an activity that is regularly carried on?

No

Is the income received from a controlled organization?

Yes

Report income and directly related expenses on Form 990-T, Schedule F.

No

Is the income received as part of an activity that is related to the performance of the organization's exempt function?

Yes

No

Report the income on Form 990-T, Part I, line 6, columns (A) and (C), and directly related expenses in Part II, lines 14–25, plus line 28.

Adapted from Thomson Reuters Checkpoint™ PPC’s 990 Deskbook
Is the amount of rent determined by reference to the rented property’s net income (ignoring any amount based on a fixed percentage or percentages of gross receipts or sales)?

Yes

Report rental income and directly related expenses on Form 990-T, Schedule C.\(^9\)

No

Are services (other than those customarily rendered in connection with the rental of rooms or other space for occupancy only) rendered by the organization for the convenience of the tenant?

Yes

Report income and directly related expenses on Form 990-T, Schedule F.\(^a\)

No

Is the income the result of leasing property to a controlled organization?

Yes

Report income and directly related expenses on Form 990-T, Schedule E.\(^d\)

No

Is the income earned as a result of debt-financed property?

Yes

Is 10% or less of the income received or accrued under the lease related to the leasing or personal property?

Yes

Does the income result from leasing solely real property?

Yes

Does more than 50% of the income received or accrued under the lease relate to the leasing of personal property?

Yes

Show the revenue and directly related expenses associated with leasing personal property on Form 990-T, Schedule C. For the portion of the income related to leasing real property:

No

Income and directly related expenses are not included in UBI nor reported on Form 990-T.\(^a\)

Notes:

- However, if the rental income is (1) from a facility owned by a Section 501(c)(3) organization, (2) financed with a tax-exempt [qualified 501(c)(3)] bonds, and (3) used in a trade or business by a person other than a Section 501(c)(3) organization or a governmental unit, the income is treated as UBI to the extent of the portion so used.