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business merely because they are carried on within a larger aggregate of similar activities or within a larger complex of other endeavors which may, or may not, be related to the exempt purposes of the organization. Thus, for example, the regular sale of pharmaceutical supplies to the general public by a hospital pharmacy does not lose identity as trade or business merely because the pharmacy also furnishes supplies to the hospital in accordance with its exempt purposes. Similarly, activities of soliciting, selling, and publishing commercial advertising do not lose identity as trade or business even though the advertising is published in an exempt organization periodical which contains editorial matter related to the exempt purposes of the organization.

(c) *Regularly carried on*—(1) *General principles.* In determining whether trade or business from which a particular amount of gross income derives is

"regularly carried on," within the meaning of section 512, regard must be had to the frequency and continuity with which the activities productive of the income are conducted and the manner in which they are pursued. This requirement must be applied in light of the fundamental purpose of the unrelated business income tax to place the business activities of exempt organizations upon the same tax basis as commercial endeavors with which they compete. Hence, for example, specific business activities of an exempt organization will ordinarily be deemed to be "regularly carried on" if they manifest a frequency and continuity, and are pursued in a manner, generally similar to comparable commercial activities of nonexempt organizations.

(2) *Application of principles*—(i) *Normal time span of activities.* Where income producing activities are of a kind normally conducted by nonexempt commercial organizations on a year-round basis, the conduct of such activities by an exempt organization over a period of only a few weeks does not constitute the regular carrying on of trade or business. For example, the operation of a sandwich stand by a hospital auxiliary for the 2-week period of an annual state fair would not be the regular conduct of trade or business. However, the conduct of year-round business activities for one day each week would constitute the regular carrying on of trade or business. Thus, the operation of a commercial parking lot on Saturday of each week would be the regular conduct of trade or business. Where income producing activities are of a kind normally undertaken by nonexempt

commercial organizations only on a seasonal basis, the conduct of such activities by an exempt organization during a significant portion of the season ordinarily constitutes the regular conduct of trade or business. For example, the operation of a track for horse racing for several weeks each year would be considered the regular conduct of trade or business because it is usual to carry on such trade or business only during a particular season.

(ii) *Commercial attributes of intermittent activities.* In determining whether or not intermittently conducted activities are regularly carried on, the manner of conduct of the activities must be compared with the manner in which commercial activities are normally pursued by nonexempt organizations. In general, exempt organization business activities which are engaged in only discontinuously or periodically will not be considered regularly carried on if they are conducted without the competitive and promotional efforts typical of commercial endeavors. For example, the sale of advertising in programs for

sports events or music or drama performances would not ordinarily be deemed to be the regular carrying on of business where no systematic endeavors are made to develop and promote this class of business in the manner of a commercial publication. Similarly, where the exempt function of an organization involves the sale of certain types of goods or services to a particular class of persons (as, for example, sales of books by a college bookstore to students), casual sales in the course of such activity, which are not related to the exempt function involved, do not generally constitute the regular conduct of unrelated trade or business. On the other hand, where the organization systematically and consistently caters to a customer class unrelated to its exempt functions or sells products unrelated to the performance of such functions, the unrelated selling activities meet the section 512 requirement of regularity.

(iii) *Occasional or sporadic activities.* Income producing activities undertaken only occasionally or sporadically generally will not be regarded as trade or business regularly carried on. For this purpose, an income producing or fund raising event lasting only a short period of time will not be regarded as regularly carried on merely because it is conducted on an annually recurrent basis. Accordingly, income derived from the conduct of an annual dance or similar fund raising event for charity would not be income from trade or business regularly carried on.

(d) *Substantially related*—(1) *In general.* Gross income derives from "un-