any deduction allocable to income of the trust that would be unrelated business taxable income if the trust were tax exempt.[4] For taxation of non-exempt trusts, see ¶ 1700 *et seq.*

1. Code Sec. 513(b).
2. Rev. Rul. 60-206, CB 1960-1, 201.
3. Cooper Tire & Rubber Co. Employees Retirement Fund v. Com., 306 F. (2d) 20, aff'g 36 T.C. 96.
4. Code Sec. 681(a).

¶ 8003. Unrelated trade or business of exempt organizations other than trusts. In the case of all exempt organizations other than trusts a trade or business is unrelated only if it isn't *substantially related* (aside from the need of funds) to the exercise or performance of the purpose or function that is the basis of the organization's exemption.[1]

The Code expressly excludes from classification as an unrelated trade or business any trade or business:

. . . in which substantially all the work is performed for the organization without compensation;[2] *or*

. . . which is carried on by an organization in the religious, charitable, educational, etc., category primarily for the convenience of its members, students, patients, officers, or employees;[3] *or*

. . . which is the selling of merchandise substantially all of which has been received by the organization as gifts or contributions.[4]

The foregoing rules don't apply to trusts.[5]

1. Code Sec. 513(a); Regs. § 1.513-1(a).
2. Code Sec. 513(a)(1); Regs. § 1.513-1(b); Rev. Rul. 56-152, CB 1956-1, 56.
3. Code Sec. 513(a)(2); Regs. § 1.513-1(b); Rev. Rul. 55-676, CB 1955-2, 266.
4. Code Sec. 513(a)(3); Regs. § 1.513-1(b).
5. Cooper Tire & Rubber Co. Employees Retirement Fund v. Com., 306 F. (2d) 20, aff'g 36 T.C. 96.

¶ 8004. When is a trade or businesss substantially related to exempt purpose. A trade or business is substantially related to an organization's exempt purposes, and its income, therefore, isn't taxable, if the *principal purpose* of the trade or business is to further (other than through production of income) the organization's exempt purpose. This usually requires a comparison of the nature and size of the trade or business with the nature and extent of the exempt activities.[1]

The following have been held to be taxable *unrelated* trades or business:

. . Photography and electro-encephalography work performed by an exempt medical and scientific research foundation. The work was performed at rates comparable to those charged by commercial enterprises and accounted for 75% of the foundation's gross receipts.[2]

. . . Radio station operated by an exempt university which carried its educational programs but was largely operated as a commercial station.[3]

. . . Cinder block plant originally acquired by an exempt university to supply its own construction needs and thereafter chiefly supplying the general public.[4]

. . . Manufacturing business operated by an exempt college in which the students as part of their educational program perform clerical or bookkeeping functions.[5]

. . . Building and selling houses where an exempt foundation built and sold 80 houses in 18 months to raise revenue for a church.[6]

. . . Buying supplies for resale to members by an exempt agricultural organization created for the purpose of improvement and advancement of agriculture.[7]

. . . Farms and orchards operated by a charitable trust.[8]

. . . Bingo games, open to the public, run semi-weekly by an exempt labor organization.[9]

. . . Restaurant, bar, and cocktail lounge which accounted for more than 50% of the income of an exempt horse-breeding organization.[10]

. . . Insurance promotion and property management done for remuneration by an exempt agricultural organization.[11]

. . . Accounting and tax services performed for fees by an exempt labor organization for some of its members.[12]

. . . Management, for a fee, of health and welfare programs for employees of its members by an exempt business league.[13]

. . . Sale of "call" options on stock investments owned by an exempt organization.[14]

But the following have been held to be nontaxable *related* trades or businesses.

. . . Laundry operated by a university primarily for students and faculty though also open to the public.[15]

. . . Renting farms and orchards to tenants by a charitable trust.[16]

. . . Sale of articles made by handicapped persons as part of their rehabilitation training by an exempt organization engaged in rehabilitation of the handicapped.[17]

. . . Championship tournaments, grants of radio and television broadcasting rights, and sale of booklets on rules of the game by a national sports organization exempt as a business league. The income from radio and television rights was relatively insignificant.[18]

. . . "Bowl" football game arranged annually by an exempt community organization.[19]

. . . Lease of a building to a clinic by a foundation, organized in part for medical purposes.[20]