Some of the income of your foundation may be taxed at corporate rates. This income is called unrelated business income and is usually derived from sources outside of the seven tax-exempt sources.

To review, the seven tax-exempt sources of income are:

1. Related Fees
2. Royalties
3. Most rents
4. Capital gains
5. Contributions
6. Dividends
7. Interest

Unrelated business income is income that is not derived from the exempt activities of the foundation. The Treasury defines "unrelated trade or business" as income from any business activity regularly carried on that is not derived from an activity directly related to tax-exempt purpose. Since this definition might include your foundation's operations we must look to the meaning of "unrelated". Unrelated business