

Exclusion Codes

General Exceptions

- 01—** Income from an activity that is not regularly carried on (section 512(a)(1))
- 02—** Income from an activity in which labor is a material income-producing factor and substantially all (at least 85%) of the work is performed with unpaid labor (section 513(a)(1))
- 03—** Section 501(c)(3) organization—Income from an activity carried on primarily for the convenience of the organization's members, students, patients, visitors, officers, or employees (hospital parking lot or museum cafeteria, for example) (section 513(a)(2))
- 04—** Section 501(c)(4) local association of employees organized before May 27, 1969—Income from the sale of work-related clothes or equipment and items normally sold through vending machines; food dispensing facilities; or snack bars for the convenience of association members at their usual places of employment (section 513(a)(2))
- 05—** Income from the sale of merchandise, substantially all of which (at least 85%) was donated to the organization (section 513(a)(3))

Specific Exceptions

- 06—** Section 501(c)(3), (4), or (5) organization conducting an agricultural or educational fair or exposition—Qualified public entertainment activity income (section 513(d)(2))
- 07—** Section 501(c)(3), (4), (5), or (6) organization—Qualified convention and trade show activity income (section 513(d)(3))
- 08—** Income from hospital services described in section 513(e)
- 09—** Income from noncommercial bingo games that do not violate state or local law (section 513(f))
- 10—** Income from games of chance conducted by an organization in North Dakota (section 311 of the Deficit Reduction Act of 1984, as amended)
- 11—** Section 501(c)(12) organization—Qualified pole rental income (section 513(g)) and/or member income (described in section 501(c)(12)(H))
- 12—** Income from the distribution of low-cost articles in connection with the solicitation of charitable contributions (section 513(h))
- 13—** Income from the exchange or rental of membership or donor list with an organization eligible to receive charitable contributions by a section 501(c)(3) organization; by a war veterans' organization; or an auxiliary unit or society of, or trust or foundation for, a war veterans' post or organization (section 513(h))

Modifications and Exclusions

- 14—** Dividends, interest, payments with respect to securities loans, annuities, income from notional principal contracts, other substantially similar income from ordinary and routine investments, and loan commitment fees, excluded by section 512(b)(1)
- 15—** Royalty income excluded by section 512(b)(2)
- 16—** Real property rental income that does not depend on the income or profits derived by the person leasing the property and is excluded by section 512 (b)(3)

- 17—** Rent from personal property leased with real property and incidental (10% or less) in relation to the combined income from the real and personal property (section 512(b)(3))
- 18—** Gain or loss from the sale of investments and other non-inventory property and from certain property acquired from financial institutions that are in conservatorship or receivership (sections 512(b)(5) and (16)(A))
- 19—** Gain or loss from the lapse or termination of options to buy or sell securities or real property, and on options and from the forfeiture of good-faith deposits for the purchase, sale, or lease of investment real estate (section 512(b)(5))
- 20—** Income from research for the United States; its agencies or instrumentalities; or any state or political subdivision (section 512(b)(7))
- 21—** Income from research conducted by a college, university, or hospital (section 512(b)(8))
- 22—** Income from research conducted by an organization whose primary activity is conducting fundamental research, the results of which are freely available to the general public (section 512(b)(9))
- 23—** Income from services provided under license issued by a federal regulatory agency and conducted by a religious order or school operated by a religious order, but only if the trade or business has been carried on by the organization since before May 27, 1959 (section 512(b)(15))

Foreign Organizations

- 24—** Foreign organizations only—Income from a trade or business NOT conducted in the United States and NOT derived from United States sources (patrons) (section 512(a)(2))

Social Clubs and VEBAs

- 25—** Section 501(c)(7), (9), or (17) organization—Non-exempt function income set aside for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(3)(B)(i))
- 26—** Section 501(c)(7), (9), or (17) organization—Proceeds from the sale of exempt function property that was or will be timely reinvested in similar property (section 512(a)(3)(D))
- 27—** Section 501(c)(9) or (17) organization—Nonfunction income set aside for the payment of life, sick, accident, or other benefits (section 512(a)(3)(B)(ii))

Veterans' Organizations

- 28—** Section 501(c)(19) organization—Payments for life, sick, accident, or health insurance for members or their dependents that are set aside for the payment of such insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (section 512(a)(4))
- 29—** Section 501(c)(19) organization—Income from an insurance set-aside (see code 28 above) that is set aside for payment of insurance benefits or for a charitable, etc., purpose specified in section 170(c)(4) (Regs. 1.512(a)-4(b)(2))

Debt-Financed Income

- 30—** Income exempt from debt-financed (section 514) provisions because at least 85% of the use of the property is for the organization's exempt purposes. **(Note: This code is only for income from the 15% or less non-exempt purpose use.)** (section 514(b)(1)(A))
- 31—** Gross income from mortgaged property used in research activities described in section 512(b)(7), (8), or (9) (section 514(b)(1)(C))
- 32—** Gross income from mortgaged property used in any activity described in section 513(a)(1), (2), or (3) (section 514(b)(1)(D))
- 33—** Income from mortgaged property (neighborhood land) acquired for exempt purpose use within 10 years (section 514(b)(3))
- 34—** Income from mortgaged property acquired by bequest or devise (applies to income received within 10 years from the date of acquisition) (section 514(c)(2)(B))
- 35—** Income from mortgaged property acquired by gift where the mortgage was placed on the property more than 5 years previously and the property was held by the donor for more than 5 years (applies to income received within 10 years from the date of gift (section 514(c)(2)(B))
- 36—** Income from property received in return for the obligation to pay an annuity described in section 514(c)(5)
- 37—** Income from mortgaged property that provides housing to low and moderate income persons, to the extent the mortgage is insured by the Federal Housing Administration (section 514(c)(6)). **(Note: In many cases, this would be exempt function income reportable in column (e). It would not be so in the case of a section 501(c)(5) or (6) organization, for example, that acquired the housing as an investment or as a charitable activity.)**
- 38—** Income from mortgaged real property owned by: a school described in section 170(b)(1)(A)(ii); a section 509(a)(3) affiliated support organization of such a school; a section 501(c)(25) organization; or by a partnership in which any of the above organizations owns an interest if the requirements of section 514(c)(9)(B)(vi) are met (section 514(c)(9))

Special Rules

- 39—** Section 501(c)(5) organization—Farm income used to finance the operation and maintenance of a retirement home, hospital, or similar facility operated by the organization for its members on property adjacent to the farm land (section 1951(b)(8)(B) of Public Law 94-455)
- 40—** Annual dues, not exceeding \$161 (subject to inflation), paid to a section 501(c)(5) agricultural or horticultural organization (section 512(d))

Trade or Business

- 41—** Gross income from an unrelated activity that is regularly carried on but, in light of continuous losses sustained over a number of tax periods, cannot be regarded as being conducted with the motive to make a profit (not a trade or business)

Other

- 42—** Receipt of qualified sponsorship payments described in section 513(i)
- 43—** Exclusion of any gain or loss from the qualified sale, exchange, or other disposition of any qualifying brownfield property (section 512(b)(19))