IT 99-0047-GIL 4/19/1999 EXEMPT ORGANIZATIONS

> General Information Letter: Corporation exempt from tax under IRC Section 501(a) is exempt from Illinois income taxation except to the extent it has unrelated business taxable income.

April 19, 1999

Dear:

This is in response to your letter dated March 25, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. *See* 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter you stated the following:

> Enclosed please find a letter and documents relating to the xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx, xxxxxxxxx, Ill.
>
> These data were sent to the IRS at Kansas City this date.
>
> I am bringing this to your attention because of the possibility that the xxxxxxxxxxx non-profit status [under the Not-for-Profit Corporation Act of 1943 [as amended]] might be in jeopardy because of the clubhouse lease transaction with an outside business group.

**Response**

Pursuant to Section 205(a) of the Illinois Income Tax Act (the "IITA", 35 ILCS 5/101 *et seq*. ), an organization exempt from federal income taxation by reason of Section 501(a) of the Internal Revenue Code (the "IRC", 26 U.S.C. § 501) shall likewise be exempt from Illinois income taxation to the extent its income is determined not to be "unrelated business taxable income" under Section 512 of the IRC. "Unrelated business taxable income" of an exempt organization is subject to Illinois income tax under Section 205(a) of the IITA. The determination of exempt status for an organization is made at the federal level. Likewise, determination of an exempt organization's income as "unrelated business taxable income" is also made at the federal level. Therefore, where, for federal income tax purposes, an organization is treated as exempt under Section 501(a) of the IRC, or an exempt organization's income is treated as not "unrelated business taxable income" according to Section 512 of the IRC, so shall be the treatment for Illinois income tax purposes. Further application to or determination by the State of Illinois as to such treatment is neither warranted nor required.

As stated above, this is a general information letter which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Sincerely,

Jackson E. Donley
Senior Counsel -- Income Tax