

Nonprofit news outlets are often scared that selling ads could jeopardize their tax-exempt status, but IRS records show that's been rare

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Volunteer Bonnie Ralston hosts a show in the Allegheny Mountain Radio studio in Monterey, Va., in September 2025.

Pierre Hardy/AFP via Getty Images

Although advertising revenue largely sustained the news media in the 20th century, it's been harder to come by in the digital age. News media outlets just aren't as important these days for advertisers when they can reach potential customers so many other ways, including through social media.

Some news outlets are relying more on subscription revenue. But that can also be a tough sell when readers have so many alternatives – often free – for finding news, if they're even looking for it at all.

Increasingly, local news media outlets are adopting nonprofit models to be able to obtain grants from foundations and donations from individuals as new revenue sources.

At the same time, some nonprofit news leaders have avoided selling ads because the IRS has said their organizations would have to pay taxes on that revenue. They have also heard that selling too many ads might jeopardize their tax-exempt status altogether.

My research suggests that they need not worry about that – although, given recent threats by the Trump administration against Harvard University and other nonprofits, they may have reasons to be wary.

Encouraging earned revenue

I'm a former public radio journalist who now researches the nonprofit news sector.

I interviewed 23 nonprofit news leaders in 2023 about their fundraising practices. I also reviewed hundreds of 990 forms that most nonprofits are required to file annually with the IRS.

In early 2025, I published a study that found most nonprofit news leaders still depended heavily on foundations and individual donors. That's despite calls from foundations and the Institute for Nonprofit News, an organization representing these media outlets, that they should diversify their revenue sources.

The Institute for Nonprofit News especially encourages news nonprofits to consider adding earned revenue. That category can include lots of things, but most often it means selling ads. The nonprofit news leaders I spoke with had mixed feelings about that.

Taxing unrelated business income

The philanthropic dollars that charitable nonprofits get from foundations, individual donors and corporations are exempt from taxes. But their earned revenue from sources such as advertising, sponsorships or ticketed events is often taxable.

That's because U.S. tax law requires nonprofits to pay taxes on income deemed to be "not substantially related" to their public service missions.

Take, for example, money that a nonprofit museum earns through its gift shop. The government taxes that as unrelated business income so nonprofits don't get an unfair edge over their for-profit competitors.

Money raised through ad sales has also historically counted as unrelated business income for nonprofits, according to the IRS. Some nonprofit news leaders say that's not how it should be.

Some news nonprofits are directly challenging the traditional classification of advertising revenue as unrelated business income.

For example, the San Antonio Report, a nonprofit news outlet, reported receiving US\$361,649 in advertising revenue in tax year 2022. But the organization did not pay taxes on it, because it identifies advertising as part of its mission. In fact, a Supreme Court ruling in the 1986 *United States v. American College of Physicians* case left open the possibility that advertising could be a tax-exempt form of revenue if it had an “educational function” related to the nonprofit’s purpose.



Nonprofit news outlets need revenue, and their donors want them to find new sources of it.

Maria Korneeva/Moment via Getty Images

Selling ads anyway

Nonprofit news leaders not trying to challenge that classification still had reason to be concerned about running paid ads.

The IRS has warned it could revoke the tax-exempt status of nonprofits that had too much unrelated business income in their portfolios. That’s one of the top six reasons organizations lose their nonprofit status, according to the IRS. Other reasons include failure to serve an exempt purpose, lobbying, political campaigning, mission drift and failure to complete annual 990 forms.

How much unrelated business income is too much? The IRS has not provided clear guidance on this, despite pleas from local nonprofit news advocates.

One editor I interviewed, whose free weekly newspaper had recently converted from a for-profit enterprise to a nonprofit, lamented that her copious ad portfolio could put her tax-exempt status in jeopardy. Ads had always been part of what readers appreciated about her newspaper, she said – it was how they learned about restaurants and nightlife.

Some tax advisers recommend that nonprofits keep unrelated business income below 25% of their total revenue. But the ambiguity is enough to make some nonprofit news leaders prefer to not get any at all.

Some local news nonprofits are selling ads, despite their reservations about the potential tax impact and the potential threat of the IRS revoking their tax-exempt status. Of the Institute for Nonprofit News' roughly 201 local newsroom members, 21 reported earning at least \$1,000 in unrelated business income in the most recent year for which data was available when I conducted these interviews – usually 2022 or 2023. That happens to be the minimum reportable amount.

Paying no taxes

Only three of these 21 local news nonprofits paid taxes on their advertising revenue – and the ones that paid did so at reduced amounts. The outlets were largely able to avoid taxes due to exemptions the IRS allows nonprofits to claim for advertising-related expenses, such as commissions, agency fees and production. Several news nonprofits were also able to deduct readership costs, such as printing and distribution.

Local news nonprofits also appeared not to draw the ire of the IRS for accepting too much advertising revenue. While most reported unrelated business income that amounted to less than 25% of their total revenue, five news nonprofits did exceed that percentage, sometimes by quite a bit.

Rarely revoking tax exemptions

It turns out the IRS rarely revokes the tax-exempt status of charitable nonprofits of any kind for collecting too much unrelated business income.

IRS records indicate that the most common reason for revocations was the failure of nonprofits to file their 990 forms annually.

Not doing so for three years in a row triggers an automatic revocation, which can be reversed if nonprofits get back into compliance by belatedly filing their overdue paperwork. Revocations for all other reasons, including excessive unrelated business income, have impacted less than 0.1% of nonprofits, according to my analysis of IRS records.

In other words, two common concerns about advertising expressed by the nonprofit news leaders I interviewed – the potential tax burden and the risk of running afoul of the IRS – appear to have been unfounded.

At the same time, it can be hard to keep up with what might run afoul of IRS rules.

Starting in April 2025, the Trump administration threatened to revoke the nonprofit status of Harvard University after its leaders resisted numerous demands, including changes to its leadership and admissions policies.

Nonprofit news organizations have also faced pressure from the Trump administration. Several public media outlets are planning to shut down or reduce their operations following the Corporation for Public Broadcasting's loss of government funding in 2025. It's part of what's widely seen as the administration's attempt to control news media, a campaign that has also led to defamation lawsuits, a leadership shakeup at CBS News, and the Federal Communications Commission's deregulation efforts.

So far, Harvard's nonprofit status remains intact, and legal experts say it's likely to stay that way. Still, at a time when many local news nonprofits are struggling to keep the lights on, I can understand why they might choose to tread lightly.

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