

## Unrelated Business Income Tax (UBIT)



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### Background

Institutions of the University System of Georgia (USG) are tax-exempt as instrumentalities of the State of Georgia under Section 115 of the Internal Revenue Code. Similarly, institution foundations are exempt under Section 501 (c)(3) of the Internal Revenue Code.

As tax-exempt entities, USG institutions and foundations are exempt from federal income tax for activities that further their educational purpose. However, they are not exempt from income tax imposed on activities that are substantially unrelated to exempt purposes, called “Unrelated Business Income” or UBI, even though these activities may bring in funds to support exempt operations.

GSU follows the USG Board of Regents business procedures on Unrelated Business Income. A link to the USG Procedures Manual can be found under Related Information.

GSU also follows Internal Revenue Service guidelines for tax on unrelated business income of exempt organizations. A link to the IRS guidelines is also provided under Related Information.

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### Reason for procedures

The University must follow procedures related to UBI to ensure compliance with the Internal Revenue Service federal tax code.

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### Procedures

As defined by the Internal Revenue Services (IRS), an activity will have unrelated business income and be subject to unrelated business income tax if it meets three requirements:

- 1) The activity is a trade or business
- 2) the activity is regularly carried on, and
- 3) the activity is not substantially related to furthering the exempt purpose of the organization.

Upon notification by the Comptroller, all departments are required to complete a UBI Questionnaire related to their activities for the fiscal year just ended. This questionnaire is used to identify activities that may generate unrelated business income and may need to be included on the University’s IRS Form 990-T and Georgia Form 600-T (or the state equivalent tax form). Staff in Accounting Services will review completed questionnaires and work with senior fiscal managers in each school/college/unit to evaluate activities identified and determine whether or not the activity is unrelated.

**Departments should not make this determination.**

Please also note that the mere fact that an activity generates a source of funds that is used to carry out a mission-related activity does not mean the activity *per se* is related to the mission. The IRS places emphasis on the size and extent of the activity. If an activity is conducted on a scale larger than reasonably necessary to carry out the exempt purpose, it is more likely to be treated as unrelated business income. Some examples of unrelated business activities are listed below.

Please consult the IRS guidelines for UBIT and the USG Procedures Manual section on UBI for further information. Links to these items have been provided under Related Information.

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#### Policy definitions

**Trade or Business:** A trade or business is an activity carried on to produce income from the sale of goods or services. Items to consider are whether the activity generates a profit or if the activity is conducted in the same manner as a for-profit-business that provides similar goods or services.

**Regularly Carried On:** Activities regularly carried on would be those that show frequency and continuity and are pursued in a similar manner as a for-profit organization that would conduct a comparable activity.

**Substantially Related:** Activities substantially related would be those that generate income and contribute to the accomplishment of the organization's exempt purpose. The University of Georgia's exempt purposes are education, public service, and research, so any income generated from activities whose purpose is NOT substantially related to one of those purposes would be characterized as unrelated business income and would be subject to federal income tax rules.

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#### Responsibilities

**Responsible University Senior Administrator:** Senior Vice President for Finance & Administration

**Responsible University Administrator:** Vice President for Finance and Business, Comptroller

**Policy Owner:** Office of the Comptroller, Accounting Services

**Policy Contact:** Bruce Spratt

**Email:** [bspratt@gsu.edu](mailto:bspratt@gsu.edu)

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#### Record Retention

For documentation related to unrelated business income tax, including working papers and questionnaires, record retention is seven (7) years.

Examples of unrelated business activities

Unit	Activity
ITS Dept. Computer Centers College Administrative Offices	<ul style="list-style-type: none"> <li>• Sale of computer services or equipment to non-university users</li> <li>• Sale of computer services to non-profit research institutes and governmental agencies</li> <li>• Sale of programming services to non-university users</li> <li>• Sale of advertising space in periodicals [Note: If there is both advertising and circulation revenue, tax is paid on the lower of the net advertising revenue or net combined advertising/circulation revenue. If there is no advertising revenue, no tax is paid on circulation revenue.]</li> </ul>
Rec Center	<ul style="list-style-type: none"> <li>• Rental of recreation equipment to the general public and alumni</li> <li>• Sale of recreation membership to the general public and alumni</li> </ul>
Facilities Research Labs CHARA Hard Labor Creek Indian Creek Lodge College Administrative Offices	<ul style="list-style-type: none"> <li>• Provision of substantial services or use of personal property in connection with rental of real property</li> <li>• Rental of real property to non-university users who are not exempt under 501(c)(3) or for purposes other than educational conferences, training or workshops:                             <ul style="list-style-type: none"> <li>○ hotel lodging, meeting halls</li> <li>○ office space</li> <li>○ laboratory facilities</li> </ul> </li> <li>• Rental of personal property to non-university users, including:                             <ul style="list-style-type: none"> <li>○ scientific instruments</li> <li>○ personal property such as telescopes, microscopes or other technical equipment</li> </ul> </li> <li>• Sale of routine analytical services to non-university users who are not exempt under 501(c)(3)</li> <li>• Sales of excess utility capacity of non-university entities, including contractors working on university projects who are not exempt under 501(c)(3)</li> </ul>
Housing	<ul style="list-style-type: none"> <li>• Rental of housing and associated services (laundry, cleaning, dining) to non-University users (excluding parents or relatives of current or potential students) who are not exempt under 501(c)(3) AND where the rental is not associated with the advancement of education.</li> </ul>
Parking	<ul style="list-style-type: none"> <li>• Rental of parking spaces to non-university users with services (attendant, guard, etc.) provided</li> <li>• Reserved spaces</li> </ul>

PantherDining	<ul style="list-style-type: none"> <li>• Catering (food services, etc.) to non-university users</li> <li>• Cafeteria/restaurant service to non-university users [Note: The operation of campus soft drink and food vending machines and laundromat facilities will be nontaxable under the “convenience” exception.]</li> </ul>
Bookstore	Gift shop or book store sales of items unrelated to the University’s exempt purpose [Whether or not such sales fall under the “convenience” exception depends upon whether the store is used primarily by the university community vs. the public at large; whether the articles are “expendable;” and whether the store is located in an area convenient to other commercial facilities selling similar products.]
Public Relations and Marketing	<ul style="list-style-type: none"> <li>• Sale of audio-visual services to non-university users</li> <li>• Sale of printing services to non-university users</li> <li>• Publication of non-educational material</li> </ul>
Athletics	<ul style="list-style-type: none"> <li>• Rental of facilities to professional sports teams</li> </ul>
Professional and Continuing Education	<ul style="list-style-type: none"> <li>• Training programs customized for particular users (as distinguished from presentation of educational materials for general application)</li> </ul>

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**Related information**

[USG Procedures Manual 23: Unrelated Business Income \(UBI\)](#)

[IRS Publication 598: Tax on Unrelated Business Income of Exempt Organizations](#)

[Unrelated Business Income Questionnaire](#)

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**Procedure Dates**

Effective Date: April 4, 2019

Last Update: April 4, 2019