



UCCS CAMPUS POLICY

Policy Title: Unrelated Business Income Tax (UBIT)

Policy Number: 500-014

Policy Functional Area: Fiscal

Effective: April 20, 2020

Approved by: Venkat Reddy, Chancellor

Responsible Vice Chancellor: Vice Chancellor of Administration and Finance (VCAF)

Office of Primary Responsibility: Controller's Office

Policy Primary Contact: Controller's Office, 719-255-3703

Supersedes: N/A

Last Reviewed/Updated: N/A

Applies to: Administration, Faculty, and Staff

Reason for Policy: To establish guidelines for reviewing and reporting trade or business activities for potential unrelated business income tax (UBIT).

I. INTRODUCTION

This policy provides guidelines for the reviewing and reporting of unrelated business income (UBI) from a trade or business. It governs the trade and business activities of the University of Colorado Colorado Springs ("UCCS").

II. POLICY STATEMENT

A. General. As an educational institution, UCCS is an exempt not-for-profit organization under the federal tax code. Unrelated business income tax (UBIT) is imposed by the federal tax code on exempt organizations receiving income from such unrelated business activity. Thus, if UCCS regularly carries on trades or businesses that are not substantially related to its exempt and educational purpose, UCCS is generally subject to tax on the income from that unrelated business activity.

B. Identifying Unrelated Business Activity.

1. Each UCCS department or unit must identify potential unrelated business activity within the department or unit, in consultation with the UCCS Controller's Office.
2. When a department or unit identifies a potential unrelated business activity, the department or unit must report the activity to the UCCS Controller's Office.

3. The UCCS Controller's Office will determine whether an activity is considered an unrelated business activity and, if so, its taxability.
4. Departments or units should not avoid or terminate an unrelated business activity to avoid paying taxes but should rather consult with the UCCS Controller's Office.

C. Reporting Requirements.

1. Each UCCS department or unit must report all financial data for unrelated business activity to the UCCS Controller's Office by the first day of March, June, October, and December. The financial data should include revenues and directly connected expenses for the unrelated business activity.
2. The UCCS Controller's Office will report financial data for unrelated business activity to the University of Colorado Director of Tax no later than the 10th day of March, June, October, and December.

D. Records.

1. Each UCCS department or unit must keep adequate documentation of financial data for *unrelated business activity* and provide such documentation to the UCCS Controller's Office upon request.
2. Records should be kept in accordance with the [UCCS Records Retention Schedule](#)

E. Payment of Taxes and Penalties. Each UCCS department or unit is responsible for any taxes or penalties assessed by the Internal Revenue Service related to *unrelated business activity*.

F. Resources. For additional resources and advice, please see the [UCCS Controller's Office](#) and the [FAQs website](#).

III. KEY WORDS

- A. *Unrelated Business Activity:* Pursuant to the federal tax code, a general term that encompasses all the economic activities carried out by an organization for a line of business, creating revenues and expenditures which are not related to the University's exempt purpose.

IV. RELATED POLICIES, PROCEDURES, FORMS, GUIDELINES, AND OTHER RESOURCES

- A. Administrative Policy Statements (APS) and Other Policies
- B. Procedures
- C. Forms
- D. Guidelines
- E. Other Resources (i.e. training, secondary contact information)
 1. [Internal Revenue Code §511.](#)

2. Internal Revenue Service [Publication 598](#).

F. Frequently Asked Questions (FAQs)

V. HISTORY

Initial policy approval April 20, 2020