

1. Title

Unrelated Business Income Tax (UBIT)

2. Policy

Sec. 1 Annual Form 990-T. The University of Texas System must annually file IRS Form 990-T (Exempt Organization Unrelated Business Income Tax Return) if it has unrelated business taxable income (UBTI) of \$1,000 or more during a fiscal year.

Sec. 2 Institutional Tax Coordinator. Each U. T. System institution shall have an Institutional Tax Coordinator (ITC). The Executive Vice Chancellor for Business Affairs (EVCBA), the Office of General Counsel (OGC), and the Office of the Controller (Controller) shall be notified of the individual serving as the ITC.

Sec. 3 Nonfinancial Questionnaire. The ITC shall submit a Nonfinancial Questionnaire (NFQ) to the OGC with copy to the Controller prior to August 31 for any new or existing activity that may potentially generate UBTI. The NFQ shall be in a form acceptable to OGC.

3.1 New Activity. A NFQ must be completed for any activity started during the current year.

3.2 Existing Activity. A NFQ completed for an activity in a prior year that has changed its mode or scope of operations during the current year shall submit a NFQ, as if it was a New Activity.

Sec. 4 OGC Review. OGC shall review a NFQ to determine if the activity is related (i.e., exempt) or unrelated (i.e., reportable) to an institution's mission. Only the OGC may determine if an activity is related or unrelated. OGC shall notify the ITC and Controller of its determination.

Sec. 5 Transmittal Letter. Each U. T. System institution's chief business officer shall send a Transmittal Letter to the EVCBA and the OGC with copy to the Controller no later than August 31 detailing any activity started during the current year that may potentially create UBTI, any unrelated activity ceased during the current year, and unrelated activity reported to the Controller in the previous year.

Sec. 6 Reporting Unrelated Activities. The ITC shall report an unrelated activity's revenue and expenses to the Controller prior to November 15, unless an extension is granted, for inclusion in the U. T. System Form 990-T. This information shall be reported on Financial Worksheets, in a form acceptable to the Controller. The Financial

Worksheets shall be completed annually until the unrelated activity ceases or OGC issues a superceding determination that the activity is related.

Sec. 7 Payment of UBIT. UBIT due on a U. T. System Form 990-T shall be allocated to each institution in proportion to that institution's contributing UBTI after considering any loss carryforward.

Sec. 8 Form 990-T Preparation. The Controller shall be responsible for preparing and the filing the U. T. System Form 990-T.

3. Definitions

Institutional Tax Coordinator - U. T. System institution nominee to act as a liaison with OGC and Controller.

4. Relevant Federal and State Statutes

26 USC §§ 511 – 515 and the Treasury Regulation promulgated thereunder

5. Relevant System Policies, Procedures, and Forms

- Transmittal Letter Template
- Financial Worksheets (Exhibits A through K) and Instructions
- Nonfinancial Questionnaire and Related Items
 - Nonfinancial Questionnaire
 - Nonfinancial Questionnaire General Instructions
 - UBTI Basic Rules and Guidelines
 - Examples of Activities that may potentially create UBTI

6. Who Should Know

Chief Business Officers, Institutional Tax Coordinators, Accounting Staff, and Risk Management

7. System Administration Office(s) Responsible for Policy

Office of the General Counsel
Office of the Controller

8. Dates Approved or Amended

March 1, 1990
January 2, 2008
October 27, 2011

9. Contact Information

Questions or comments about this policy should be directed to:

- bor@utsystem.edu