1. Title

Unrelated Business Income Tax (UBIT)

2. Policy

Sec. 1 Annual Form 990-T. The University of Texas System must file an IRS Form 990-T (Exempt Organization Unrelated Business Income Tax Return) to report its unrelated business taxable income (UBTI) each fiscal year.

Sec. 2 Institutional Tax Coordinator. Each U. T. System institution's chief business officer must appoint an Institutional Tax Coordinator (ITC) and notify the Office of General Counsel (OGC) and the Office of the Controller (Controller), of the individual serving as the ITC.

Sec. 3 Nonfinancial Questionnaire. A Non-financial Questionnaire (NFQ) must be completed for each New Activity that generates revenue or avoid costs. The completed NFQ will be used to determine whether or not the activity should be reported to the IRS on The University of Texas System Form 990-T.

3.1 Each section of the NFQ must be completed. The ITC should consult with departmental personnel with relevant knowledge concerning an activity when gathering the information necessary to complete a NFQ.

3.2 An NFQ, in a form acceptable to OGC will be submitted within 60 days of the start of a New Activity but not later than August 31st of the fiscal year in which the activity was started or changed.

3.3 Nonfinancial Questionnaire Template

3.4 UBTI Basic Rules, Guidelines and Examples

3.5 See UTS122 *Guidelines for Web Site Solicitations* for special procedures for Web Page Links.

Sec. 4 Determination by OGC. OGC shall review each NFQ to determine if the activity is related (i.e., exempt) or unrelated (i.e., taxable). Only OGC may determine if an activity is related or unrelated. OGC shall notify the ITC and Controller of its tax determination for each NFQ.

Sec. 5 Reporting Unrelated Activities. By December 1st for the fiscal year that ended August 31, each U. T. System institution's chief business officer, without authority to delegate, shall send a Transmittal

Certification Letter to the Controller with a copy to OGC. The Transmittal Certification Letter shall certify that the information provided is accurate, complete, and complies with this policy.

5.1 The Transmittal Certification Letter must include:

(a) A Financial Worksheet for each New Activity determined by the OGC to be unrelated;

(b) A Financial Worksheet for each Existing Activity that continued to generate revenue or avoid costs during the fiscal year;

(c) A Financial Summary of Unrelated Revenues, Expenditures, and Indirect Costs for all New and Existing Activities for the fiscal year;

(d) A list of each Existing Activitiy reported in the previous fiscal year that did not generate revenue or avoid costs in the current fiscal year.

Financial Worksheets must be completed annually until the unrelated activity ceases or OGC issues a superseding determination that the activity is related.

5.2 Transmittal Certification Letter Template

5.3 Financial Summary and Example Financial Worksheets

5.4 Financial Summary and Example Financial Worksheet Instructions

Sec. 6 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 UBIT after considering the institution's loss carryforward.

Sec. 7 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 appointee that acts as a liaison with OGC and Controller.

Existing Activity - an activity began in a prior year that OGC has determined to be unrelated.

New Activity - an activity that generates revenue or avoided costs for the first time in the fiscal year or an activity that OGC determined to be related in a prior year but since then has changed its mode or scope of operations.

Web Page Links – defined in UTS 122.

4. Relevant Federal and State Statutes

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

5. Relevant System Policies

UTS122 Guidelines for Web Site Solicitations

6. System Administration Office(s) Responsible for Policy

Office of the General Counsel
Office of the Controller

7. Dates Approved or Amended

March 1, 1990
January 2, 2008
October 27, 2011
November 7, 2014