Unrelated Business Income Tax

Isn’t the University exempt from Federal Income Tax?

The University is exempt from federal income tax for engaging in activities which include research and discovery, teaching and learning, outreach, and public service.

What type of income is not exempt from federal income tax?

The University is not exempt from income tax imposed on activities which are substantially unrelated to the University’s exempt purposes, even though these activities may bring in funds to support the University’s exempt operations.

What is unrelated business income (UBI) and unrelated business income tax (UBIT)?

Unrelated business income, for most organizations, is income produced from an activity that is a trade or business, regularly carried on, and not substantially related to the exempt purpose of the organization. Unrelated business income tax is the calculated tax associated with unrelated business income.

What are some of the factors used to determine if an activity is or is not substantially related to the exempt purposes of the University?

If applicable, dual use of a facility for both exempt and non-exempt activity must be reviewed. Example: Tennis Center provides memberships to the public. The income generated from these memberships represents UBI.

Our department is planning to carry on an activity that may be subject to UBIT. What should we do?

Any activity generating external income requires the completion of a W&M UBIT Questionnaire found on the Tax Website, to be sent to Tax Services at **tax@wm.edu**.

Who should fill out the UBIT Questionnaire?

The questionnaire can be filled out by the individual in charge of the project, such as the Principal Investigator (PI) or activity coordinator.

Where can the UBIT Questionnaire be obtained?

The questionnaire is located on the tax website under Forms.

Are there any exceptions to or exclusions from UBI?

The Internal Revenue Code (IRC) allows for certain exceptions, with most centering on passive income activities such as investment income, real estate property rental, or disposition gains and losses. The IRC also allows for specific exclusions related to volunteer workforces, convenience of members, donated merchandise, and qualified sponsorships.

What are some examples of activity typically subject to UBIT

1. Catering services provided to the public
2. Use of recreational facilities by alumni and the public
3. Parking lot services provided to the public
4. Product testing and research for commercial or industrial application.

What are some examples of activity typically not subject to UBIT?

1. Sales of farm and agricultural products produced by an exempt function,
2. Student dormitories rented to enrolled students,
3. Revenue from University sporting events, including admissions and TV/radio rights,
4. In general, research activities that are not routine, not for consumer product testing, or not for commercial or industrial application.

What types of research income are excluded from UBI?

All fundamental and applied research performed by the University is excluded from UBI.