

# Unrelated Business Income

Northwestern University  
Tax & Regulatory Services

Northwestern

# Topics

- What is UBI and where is this reported?
- FY19 Revenue-Generating Activity from External Customers: Two Applicable Taxes
- Tips to Complete the UBI Questionnaire
- Updates for FY19 Reporting
- Process for submitting FY19 data
- Timing
- Questions

# What is UBI?

- Unrelated Business Income
- Applies to federal tax-exempt organizations
- 3-part test:
  - Trade or business,
  - Regularly carried on, and
  - Not substantially related to the purpose that is the basis of the organization's exemption from tax.
- All revenue from external customers should be analyzed for UBI.

Form **990-T** Exempt Organization Business Income Tax Return (and proxy tax under section 5033(a))

OMB No. 1545-0047

For the year ended 12/31, 2017

Employer identification number (EIN)

36-2167817

**Part I** Unrelated Trade or Business Income

12	13	14	15
Code	Description	Gross income	Net income (loss)
01	Other income (see instructions)	1,711,721	1,711,721
	<b>Total</b>	<b>1,711,721</b>	<b>1,711,721</b>

# Where is this reported?

## Northwestern's IRS Form 990-T Exempt Organization Business Income Tax Return

NORTHWESTERN UNIVERSITY

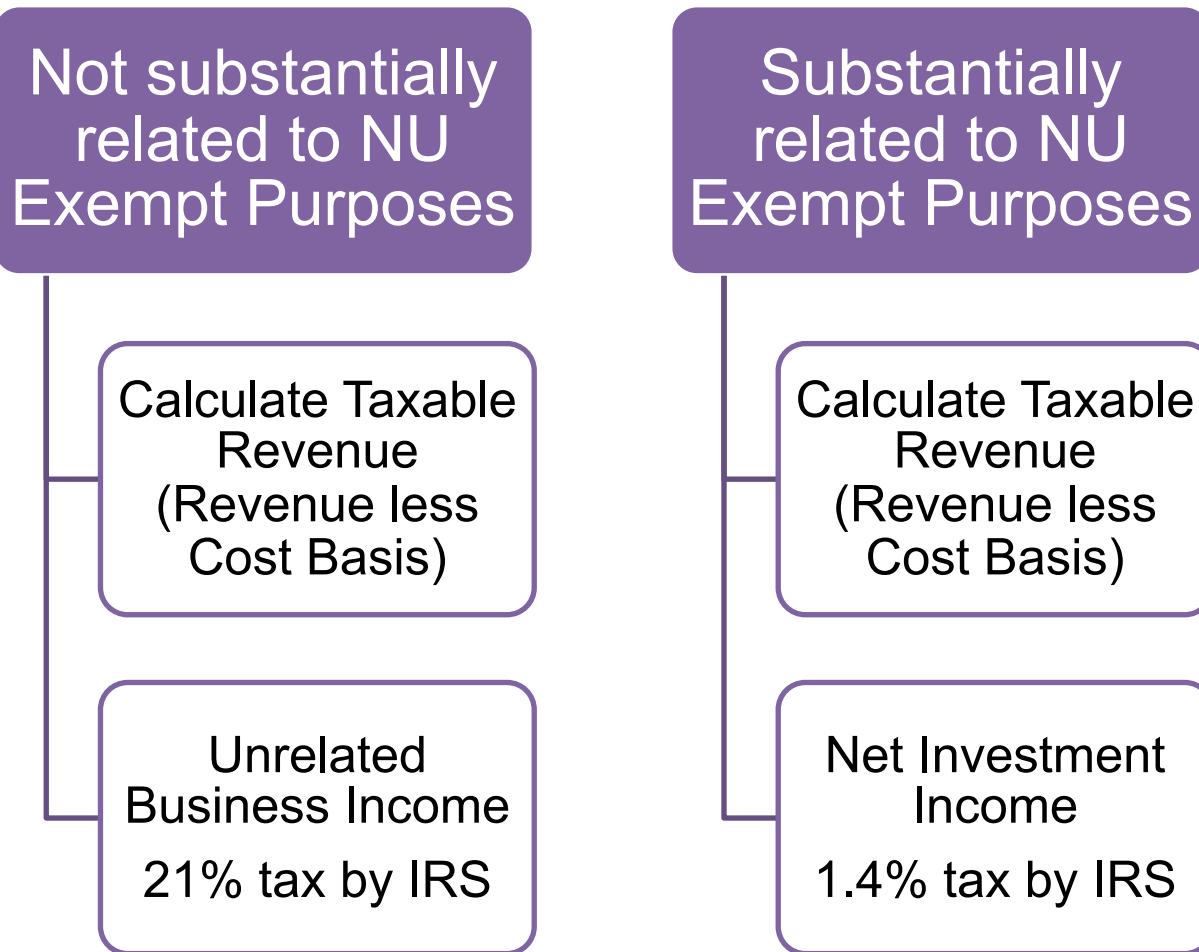
36-2167817

ATTACHMENT 3

PART I - LINE 12 - OTHER INCOME

RESEARCH SERVICES	307,201.
SCIENTIFIC EQUIPMENT RENTAL	554,330.
	370,271.

# Revenue-Generating Activity from External Customers – FY19



# Tips to Complete UBI Questionnaire

- IRS assumption is that all external revenue is **taxable as UBI** unless determined otherwise.
- Copy-and-paste generic responses are not helpful and may be ignored in the analysis.
- Provide helpful responses:
  - NU missions are “education and research”
  - Were NU students actively involved?

# Updates for FY19 Reporting

- 21% UBI tax *or* 1.4% Net Investment Income tax (not both)
- Foreign customers = “For Profit”
- Research, consulting/training, or rental?
- Have results been published?
- Is this available through a commercial provider?
- Signed acknowledgement

# Process

- Gather FY19 financial data
- Answer qualitative questions
- Submit timely completed questionnaire to Aaron Rosen



# Timing

- December 2019/January 2020
  - UBI questionnaire distributed for FY19 external revenues with FAQs and resources.
- January/February 2020
  - Aaron consolidates responses and follows up with facilities as needed to clarify.
- January through July 2020
  - 990 and 990-T preparation, drafting, and approval.
- February/March 2020
  - Tax team reviews consolidated responses.
- Mid-July 2020: 990 and 990-T filed with IRS.

# Questions

- Please ask your questions that will be beneficial to the group today.
- Specific questions for your facility can be sent to Shereen Olickal and Aaron Rosen.