

Core Facility Brown Bag #9
Friday, December 4, 2015, 12-1 PM
Meeting Notes

➤ **UBI Process with Pavanti Prasad Rugg, Assistant General Counsel and Tax Compliance & Planning Officer**

- FY2016 will be the first year in which cores may owe taxes based on FY2015 activity. The Office for Research paid taxes on behalf of all cores for FY2013 and FY2014 activity.
- If a core deposited revenue from any external customers in FY2015, they must submit a completed Unrelated Business Income (UBI) Template to [Aaron Rosen](#) by **1/15/16**
- The core recharge chart string may be charged for UBI tax near the end of FY2016 based on FY2015 activity.
- An activity may generate UBI if it is a trade or business regularly carried on that does not substantially relate to the exempt purpose of the organization (<http://www.northwestern.edu/controller/accounting-services/tax/unrelated-business-income.html>)
- Certain exceptions apply upon analysis (see UBI Template)
- Northwestern must keep this information on-file for audit purposes
- Generally nontaxable activity includes:
 - Scientific research not incident to commercial operations and conducted in the public interest
 - Code section exception for research – research conducted and performed for others is generally tax exempt (except incident to commercial operations)
 - Government research is also tax exempt
- The IRS has not specifically defined *incident to commercial operations* (commercial testing)
 - See the External Customer Report FAQ (Q4)
 - Even though a certain research activity may fit the criteria of *commercial testing*, if it also furthers NU's mission, tax exemption may apply
- In the past Fiscal Year, total external recharge revenue was over \$7 million dollars
 - \$280k was taxable
 - Northwestern was able to further offset this with related costs

Q&A from the audience

- **Q1:** If an external group uses the core's instruments to develop a technique, and the core trains the external group on instrument use, would the revenue generated for this activity be considered taxable?
- **A2:** Rental of equipment is considered a taxable endeavor. It also depends on whether the user is non-profit or for-profit. If latter, the transaction is likely taxable.
- **Q2:** A NU investigator's start-up company is testing a NU-patented compound in a core facility, is the revenue generated from this transaction taxable?
- **A2:** This depends on who is engaging whom in this particular situation. For example, is it the company or NU initiating the transaction? If it is the former, then an analysis would have to be done to determine taxability.
- **Q3:** Assuming an activity is taxable, which account would be charged?
- **A3:** It would be charged to the facility's recharge 160-chart string.
- **Q4:** If taxable revenue is identified, who makes the determination if this revenue can be offset with expenses?
- **A4:** The calculation is made by taking the price charged for the service and subtracting the unsubsidized cost basis of the service
- Contact Aaron Rosen if you have any additional questions about UBI
- **Q5:** Is Ann & Robert H. Lurie Children's Hospital of Chicago considered external and taxable? What if we print posters for them?
- **A5:** As Lurie Children's is a separate entity, it would be considered an external customer, but poster printing does not necessarily further NU's mission, so it may be taxable. An argument can be made for non-taxability if the products, in this case a poster, are for a joint conference/activity.
- **Q6:** Joint research between two NU PI's is being conducted. The second PI's start up company is participating in the research, would this activity qualify as taxable?
- **A6:** An analysis would have to be done on this transaction to determine taxability.
- **Q7:** If an external customer uses the core's instruments on a regular basis for development testing and the core facility is benefitting by learning new techniques throughout the whole process, is the transaction in the least partially taxable?
- **A7:** To answer this question, the analysis has to be conducted and Pavanti can help make the taxability determination in the "gray areas"
- **Q8:** Is it possible to come up with a flow chart for use in cores that will outline the process for determining whether a transaction is taxable or

non-taxable?

- **A8:** Aaron and the Office of the General Counsel will look into putting forth a document that can simplify the analysis on cores' behalf regarding the taxability of services provided.

➤ **Core Facilities Website, Version 3 Update: Using the *new* form to add equipment to your core's page**

- As a result of updates to the website for Version 3, equipment/services/techniques were removed from core facilities pages
 - To help with this transition of adding equipment back to your pages, a Resource Legacy was added to provide a snapshot of resources displayed on the page before the update took place
 - It is each core facility's responsibility to add their resources
 - This process is outlined in a separate document, titled *Guidance-Adding Equipment to Core Facility Pages in Version 3* – also available in Manager Documents on the Core Facilities site
 - Please let Sasha know if you need any help or have any questions/suggestions about the process

➤ **Kellogg Course "Leadership in Core Facilities" Winning Project Presentation**

Irawati (Angki) Kandela (DTC Facility) – *Using ERP Software to Optimize Pricing - See attached PowerPoint presentation*

- A free trial of the software Angki used can be activated here, www.odoo.com

➤ **General Announcements**

- **The Employee Northwestern Certificate tuition benefit will increase to \$5,250 per calendar year - See more at:**
<http://www.northwestern.edu/newscenter/stories/2015/10/open-enrollment.html#sthash.Qq0Xqd0D.dpuf>
 - As a result, the Kellogg Executive Education “Leadership in Core Facilities” course will be fully reimbursable
 - Information on the success of this year's Kellogg course can be found here,
<https://facilities.research.northwestern.edu/news/kellogg-leadership-and-management-core-facilities-course-completed>
- **Deadlines for back-dated journals**
 - If a journal is backdated in NUcore, note the interface deadline

- date (normally the business day before the Portal closes)
- NUCore will soon be updated to not accept backdated journals
- **NUcore New Features – Soon to be released to testing**
 - Credit Card payments!
 - “Account Manager” role (departments can create internal users and chart strings in NUcore)
- **Actively interviewing for the IT Support position**
 - New role to supports research data workflows in core facilities
- **LabVIEW Software available for \$100/year; purchase through SHI**
- **Construction website is now easily accessible here,**
<http://www.research.northwestern.edu/construction/>