Policy Statement
Institutions of the University System of Georgia (USG) are tax-exempt as instrumentalities of the State of Georgia under Section 115 of the Internal Revenue Code. Similarly, institution foundations are exempt under Section 501(c)(3) of the Internal Revenue Code.

As tax-exempt entities, USG institutions and foundations are exempt from federal income tax for activities that further their educational purpose. However, they are not exempt from income tax imposed on activities that are substantially unrelated to exempt purposes, called “Unrelated Business Income” or UBI, even though these activities may bring in funds to support exempt operations.

The University of Georgia follows the USG Board of Regents policy on Unrelated Business Income. A link to the USG Procedures Manual can be found under Related Information.

The University of Georgia also follows Internal Revenue Service guidelines for tax on unrelated business income of exempt organizations. A link to the IRS guidelines is also provided under Related Information.

Reason for policy
The University must follow procedures related to UBI and its associated tax in order to be in compliance with the Internal Revenue Service federal tax code.

Procedures
As defined by the Internal Revenue Services (IRS), an activity will have unrelated business income and be subject to unrelated business income tax if it meets three requirements:

1) The activity is a trade or business
2) the activity is regularly carried on, and
3) the activity is not substantially related to furthering the exempt purpose of the organization.

NOTE: There are several exceptions to this general definition of unrelated business income. See the FAQ's below for the exceptions.

After the end of each fiscal year, all departments are required to complete a UBI Questionnaire related to their activities for the fiscal year just ended. This questionnaire is used to identify activities that may generate unrelated business income and may need to be included on the University’s IRS Form 990-T and Georgia Form 600-T (or the state equivalent tax form). Links to the Unrelated Business Income Questionnaire as well as the applicable tax forms can be found in the Forms/Instructions section. Staff in the Accounting department will review completed questionnaires and work with senior fiscal managers in each school/college/unit to evaluate activities identified and determine whether or not the activity is unrelated. Departments should not make this determination.

Please also note that the mere fact that an activity generates a source of funds that is used to carry out a mission-related activity does not mean the activity per se is related to the mission. The IRS places particular emphasis on the size and extent of the activity. If an activity is conducted on a scale larger than reasonably necessary to carry out the
exempt purpose, it is more likely to be treated as unrelated business income. Some examples of unrelated business activities can be seen in the Policy Appendices section.

Please consult the IRS guidelines for UBIT and the USG Procedures Manual section on UBI for further information. Links to these items have been provided under Related Information.

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<th>Forms/Instructions</th>
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<tr>
<td>Unrelated Business Income Questionnaire</td>
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<td>IRS Form 990-T</td>
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<td>Georgia Form 600-T</td>
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Policy definitions

**Trade or Business:** A trade or business is an activity carried on to produce income from the sale of goods or services. Items to consider are whether the activity generates a profit or if the activity is conducted in the same manner as a for-profit-business that provides similar goods or services.

**Regularly Carried On:** Activities regularly carried on would be those that show frequency and continuity and are pursued in a similar manner as a for-profit organization that would conduct a comparable activity.

**Substantially Related:** Activities substantially related would be those that generate income and contribute to the accomplishment of the organization’s exempt purpose. The University of Georgia’s exempt purposes are education, public service, and research, so any income generated from activities whose purpose is NOT substantially related to one of those purposes would be characterized as unrelated business income and would be subject to federal income tax rules.

Responsibilities

**Responsible University Senior Administrator:** Vice President for Finance & Administration

**Responsible University Administrator:** Associate Vice President for University Business and Accounting Services

**Policy Owner:** Accounting

**Phone Number:** 706-542-6874

Record Retention

For documentation related to unrelated business income tax, including working papers and questionnaires, record retention is seven (7) years.

Policy Appendices

Some examples of unrelated business activities:

<table>
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<tr>
<th>Activity Unit</th>
<th>Activity Description</th>
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| Computer Center, Academic Computing, Computer Services | o Sale of computer services to non-university users  
| | o Sale of computer services to non-profit research institutes and governmental agencies  
<p>| | o Sale of programming services to non-university users |
| Business Administration, Arts, Management, etc. | o Sale of advertising space in periodicals [Note: If there is both advertising and circulation revenue, tax is paid on the lower of the net advertising revenue or net combined |</p>
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<th>Description</th>
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<td><strong>advertising/circulation revenue.</strong></td>
<td>If there is no advertising revenue, no tax is paid on circulation revenue.</td>
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| **Recreational Sports** | - Rental of recreation equipment to the general public and alumni  
- Sale of recreation membership cards (swimming privilege, etc.) to the general public and alumni |
| **Plant** | - Provision of substantial services or use of personal property in connection with rental of real property  
- Rental of hotel lodging, meeting halls or student housing to non-university users  
- Rental of office space to non-university users  
- Rental of personal property such as telescopes, microscopes or other technical equipment to non-university users  
- Sales of excess utility capacity of non-university entities, including contractors working on university projects  

Note: Income from operating a performing arts theater or sponsoring symphony concerts open to the public and employing professional performers will be nontaxable because these contribute importantly to the overall educational function of a university |
| **Parking Services** | - Rental of parking spaces to non-university users with services (attendant, guard, etc.) provided |
| **Auxiliary Activities** | - Catering (food services, etc.) to non-university users  
- Cafeteria/restaurant service to non-university users [Note: The operation of campus soft drink and food vending machines and laundromat facilities will be nontaxable under the “convenient” exception.]  
- Gift shop or book store sales of items unrelated to the University’s exempt purpose [Whether or not such sales fall under the “convenience” exception depends upon whether the store is used primarily by the university community vs. the public at large; whether the articles are “expendable;” and whether the store is located in an area convenient to other commercial facilities selling similar products.]  

[Note: Income from an athletic event and from the sale of broadcast rights to such events will be nontaxable related income] |
<p>| <strong>Analytical Laboratory</strong> | - Sale of routine analytical services to non-university users |</p>
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| **Media Resources** | o Sale of audio-visual services to non-university users  
|                 | o Sale of advertising on university television and radio stations |
| **Printing and Reprographics** | o Sale of printing services to non-university users  
|                 | o Publication of non-educational material                      |
| **Electron Microscope Facility** | o Rental of electron microscope facility to non-university users  |
| **Center for Magnetic Recording Research** | o Sale of translation services to non-university users  |
| **Sports Training Camp** | o Rental of campus facilities to professional sports team  |
| **Psychology** | o Psychological test protocols scored and interpreted for police and security agencies |
| **Neurosciences Image Analysis** | o Rental of image analysis equipment to non-university users  |
| **Marine Facility** | o Sale of aquarium collecting services to non-university users  |
| **Continuing Education** | o Training programs customized for particular users (as distinguished from presentation of educational materials of general application) |
FAQs

What are the exceptions to unrelated business income?

- Convenience of Members – revenue from an activity conducted for the convenience of UGA faculty, staff, and/or students in connection with their respective roles does not generate unrelated business income. A typical example would include the university cafeteria/dining hall services provided to UGA faculty, staff and/or students.
- Volunteer Labor – revenue from an activity where substantially all the work is performed by volunteers does not generate unrelated business income.
- Selling Donated Merchandise – Any trade or business that consists of selling merchandise, substantially all of which the organization received as gifts or contribution is excluded from unrelated business income.

How does unrelated business income affect UGA?

Each year, UGA must perform an analysis to determine the amount of unrelated business income tax to be reported to the IRS. Auxiliary, continuing education, and departmental sales and service activities are areas of consideration for determining unrelated business income for the University.

Related information

USG Procedures Manual 23: Unrelated Business Income (UBI)
IRS Publication 598: Tax on Unrelated Business Income of Exempt Organizations
December 8, 2010 UBI Workshop Presentation:

Board of Regents Policy 7.11.1 on Competition:

http://www.usg.edu/policymanual/section7/policy/7.11_miscellaneous/\{ Sales and Use Tax | 1099 Reporting \}

Policy Dates

Effective Date:

Date Last Updated: 01/17/2017

Date of Last Review:

Date of Approval:

Previous Version of Policy: