Eastern Washington University

RE: Unrelated Business Income Tax – Operating Procedures
P/B: T. Davenport, EWU Office of Controller 5/2/12

Purpose: To inform University departments of the procedures to identify unrelated business activities and then report the revenues and associated expenses generated by such activities.

Owner: EWU Office of Controller

The University is exempt from federal income tax on activities related to its educational mission. However, the University is not exempt from income tax imposed on substantially unrelated business activities that are:

(1) substantially unrelated to those exempt purposes,

(2) conducted for the primary purpose of earning a profit, and

(3) regularly carried on and compete with commercial businesses that provide similar services to the public. Even though these activities may bring in funds to support the University's exempt operations, the income generated from these activities is subject to Unrelated Business Income Tax (UBIT).

The rules governing UBIT are complex, and there are a number of exceptions to the general rules. Therefore, determining whether an activity is "unrelated" or whether the income is taxable depends on the facts and circumstances of each case.

EWU Office of Controller is responsible for providing guidelines and training to the campus to identify potential unrelated business activities.

With assistance from the EWU Office of Controller, each department is responsible for identifying potentially unrelated business activities, and for providing particular facts and circumstances in writing to EWU Office of Controller (319 Showalter Hall) which will be used to determine whether the activities are unrelated business.

1. Review the UBI general guidelines (available on our website) and complete the UBI survey if applicable.
2. Provide a brief narrative describing the potentially unrelated business activity – source and use.
3. For the unrelated business activities, the department is responsible for compiling and providing revenue and associated expense data to EWU Office of Controller.

Based on the information above, the EWU Office of Controller will perform the following:

- Review the accuracy and reasonableness of the data provided by the department.
- Review allocable indirect costs for consistency and support.
- Prepare and file the aggregate annual Unrelated Business Income Tax Return.
- Pay the tax liabilities to the Internal Revenue Service for the University as a whole.
- Charge the tax expenses to the department, based on its share of taxable UBI, if any.