



Business Matters @ Sac State

Topic: Unrelated Business Income Tax (UBIT)

DATE: May 14, 2018

TO: Campus Business Partners, Deans, Associate Deans, Department Chairs, Directors, and Managers

FROM: Stephanie Avery, Tax and Compliance Specialist, Accounting Services

NOTIFICATION OF CAMPUS UBIT REVIEW

The Accounting Services Office will be contacting departments it has identified as having possible unrelated business income to ask them to complete the UBIT Campus Review form. This form will help to determine if the incoming revenue might result in taxes being charged directly to the department.

The purpose of this review is to ensure:

- Campus departments are aware of any income that might be subject to UBIT and make budgetary decisions accordingly
- Our campus is in compliance with Internal Revenue Codes IRC §501(c)(3), §512(a)(1), §513(a), and Treasury Code §1.513-1(b),(c),(d), with California State University Policy ICSUAM 3801.01, and with Sacramento State's policy ADM-0155 – Unrelated Business Income Tax. Following these policies will help ensure the campus avoids paying fines, penalties and/or interest imposed by the IRS.

According to the IRS, Sacramento State is subject to *Unrelated Business Income Tax (UBIT)*. *Unrelated Business Income (UBI)* is the gross income derived from any activity that is regularly carried on and not substantially related to the University's exempt purpose or function.

For income to be subject to UBIT, activities must be 1) regularly carried on, 2) unrelated to the university's exemption purpose or function, and 3) a trade or business (a.k.a. have a profit motive).

Please note that Sac State's revenue is consistently monitored so departments that receive any new revenue sources, that can't be easily identified as *not* UBIT, will be asked to complete the UBIT Campus Review form.

Departments are also encouraged to contact the Accounting Services Office if they intend to introduce a new activity that will generate future revenue. This revenue can be reviewed for unrelated business income tax (UBIT) prior to the start of the activity; allowing the department to make appropriate budgetary and policy decisions.

Contact Information:

If you have any questions; and/or, concerns about this notice, please contact Stephanie Avery at savery@csus.edu; or, phone ext. 87286. Thank you.

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