

*From the Controller's Division*

## Unrelated Business Income Tax (UBIT) FAQs

### 1. What is Unrelated Business Income (Tax)?

UBI is income from a trade or business **not** substantially related to an organization's exempt purpose

### 2. Why is RIT subject to UBI Tax?

Certain income generating activities at RIT meet the three elements of UBI listed (all 3 must exist)

1. The activity is a trade or business
2. The activity is regularly carried on
3. The income is not substantially related to the organization's exempt purpose

### 3. Examples of UBI that are monitored by RIT Treasury and Financial reporting and reported to the IRS as appropriate:

- Corporate sponsorships (i.e., Coke pouring rights)
- Ice arena activities (i.e., corporate advertising)
- Investment partnerships (i.e., investments in the university's endowment)
- Special events (i.e., high school graduations held at RIT)

### 4. Where can I find the UBI regulations?

- IRS Publication 598, Tax on Unrelated Business Income of Exempt Organizations
- RIT's UBI is reported on its Federal Form 990-T, Exempt Organization Business Income Tax Return
- UBI exceeding \$1,000 is taxable at corporate rates, provided by Internal Revenue Code Section 1(e)

### 5. Are there any exceptions for UBI tax?

Yes, here is a partial list including, but not limited to, the following activities:

- Interest, dividends, capital gains, and other portfolio income
- Revenues from royalties
- Revenues from research activities
- Rental income from real estate
- Corporate sponsorships, if properly structured
- Services performed by volunteers
- Businesses operated for convenience of students or employees (i.e., bookstores, dining services, etc.)

**6. Who determines what qualifies as UBI at RIT?**

Staff in the RIT Tax Office, a business unit within the Controller's Office's Treasury & Financial Reporting Services department, perform an annual review of revenue recorded on the general ledger. If they find activities that may be considered UBI, they reach out to the department to gather more information and then make a determination regarding next steps.

**7. Who should I contact if I have questions about UBI?**

If you have questions about this information or require assistance, contact the Controller's Office at (585) 475-2383 or email: [taxdept@rit.edu](mailto:taxdept@rit.edu)