

UNIVERSITY SYSTEM OF MARYLAND

FINANCIAL REPORTING INFORMATION REQUIREMENTS

UBIT Return Preparation Process

List of Activities To Be Reviewed for Possible Reporting of UBIT:

From IRS Questionnaire prepared September, 2008:

<p>A. Advertising Printed publications Other printed material Internet Facilities (Billboard, scoreboard, etc.) TV/Radio broadcasting</p> <p>B. Corporate Sponsorships Printed materials including publications Events Internet Facilities (Billboard, scoreboard, etc.) TV/Radio Broadcasting</p> <p>C. Rental <i>Facility rental</i> Rental of arena <i>Recreation center usage</i> <i>Athletic facilities usage</i> Personal property rental Telecomm related or broadcast tower rentals Other rentals</p> <p><i>Highlighted and italicized items represent activities historically reported by USM institutions</i></p> <p>D. Other Catalog sales Internet sales Travel tours Broadcast rights Royalties from oil and gas interests Affinity cards Mailing list rentals Logo usage Working interest in oil, gas, etc.</p>	<p>D. Other Catalog sales Internet sales Travel tours Broadcast rights Royalties from oil and gas interests Affinity cards Mailing list rentals Logo usage Working interest in oil, gas, etc. Other royalties Exclusive use contracts <i>Commercial research</i> Patents Copyrights and trade names or trade secrets <i>Operation of a hotel</i> Operation of conference center Operation of Restaurant <i>Catering services</i> <i>Food services</i> Credit card promotions Computer services Exploited exempt activity income (non-advertising) Bartering <i>Parking lot operations</i> Power generations Bookstore <i>Golf course</i> Partnership allocations S-Corp allocations Income from controlled entities</p> <p>E. Other activities not included above <i>Day camp</i> <i>Performing arts</i></p>
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Suggested approach - Unrelated Business Income Tax reporting (continued)

The activity/income is not taxable as “unrelated business” if any of the following are true:

The activity is substantially related to the organization’s tax-exempt mission	512(a)(1)
The goods/services provided must contribute importantly to accomplishing the tax-exempt purposes.	1.513-1(d)(2)
The portion of the size and scope of an activity in excess of what contributes importantly to accomplishing the tax-exempt purposes is “unrelated”.	1.513-1(d)(3)
An activity does not lose its identity as a trade or business merely because it is carried on within a larger aggregate of activities. (Example: Bookstore operation may have separate “related” and “unrelated” components.)	513(c)
Sale of products resulting from the performance of exempt functions is “related” (e.g., sale of milk from dairy herd used for academic research).	1.513-1(d)(4)(ii)
The activity is not regularly carried on	512(a)(1)
Think of how frequently a for-profit organization would conduct the activity.	1.513-1(c)
The activity lacks profit motive as evidenced by continuous losses over a number of tax periods	
The profit motive is lacking if the activity is not carried on for the production of income.	1.513-1(b)
Another indicator of profit motive is the appearance of commercialism such as promotional efforts performed.	
The activity is carried on primarily for the convenience of the organization’s members	513(a)(2)
The income is from research conducted by a college, university, or hospital	512(b)(8)
“Research” excludes activity that is commercial/industrial such as ordinary testing or inspecting of materials and the designing or construction of equipment and buildings.	
The income is from ordinary and routine investments	512(b)(1)
The rental income is from real property and is not determined by the lessee’s profits	512(b)(3)
Personal services must not be provided other than those customarily provided with rentals (such as providing utilities, cleaning common areas, and collecting trash).	1.512(b)-1(c)(5)
Rent from personal property leased with the real property is not more than 10% of total rent	512(b)(3)
Between 10% and 50%, the real property rental exclusion is allocated accordingly. If greater than 50%, there is no exclusion.	
The income is royalty income	512(b)(2)
The gain is from the sale of investments and other non-inventory property	512(b)(5)
The income is from mortgaged real property owned by a school, its support organization, or its partnership interest	514(c)(9)
If it were not for this exclusion, the unrelated debt-financed income rules would make income from the rental or gain on sale of real property taxable notwithstanding exclusions noted above.	
The activity is one in which 85% or more of the work is performed with unpaid labor	513(a)(1)
The income is from the sale of merchandise of which 85% or more was donated to the organization	513(a)(3)
The income is from the receipt of qualified sponsorship payment	513(i)
Acknowledgement of payments received from business persons in connection with the organization’s activities are not deemed taxable advertising income on condition that the acknowledgement does not rise to the level of a solicitation. Also there must be no other substantial return benefit.	

