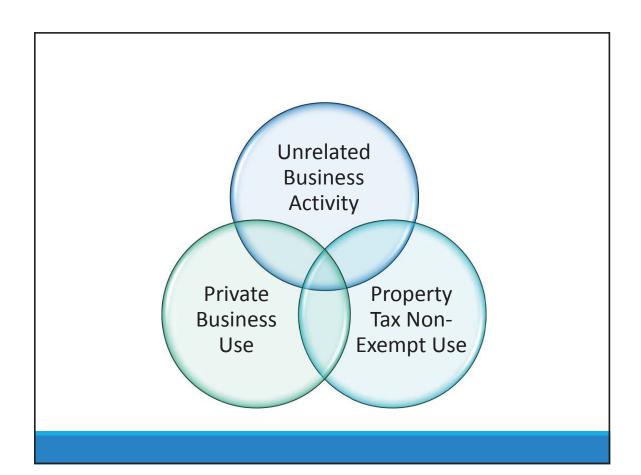
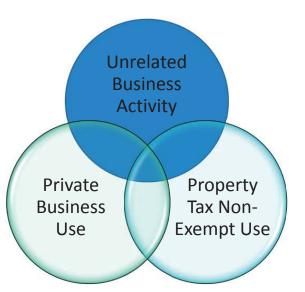
# Property Tax Exemption:

CHALLENGING TIMES FOR YOUR UNIVERSITY



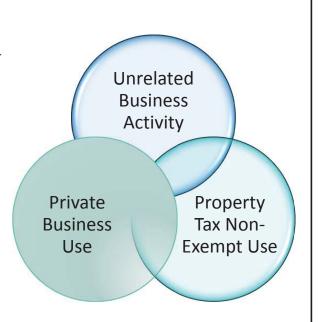
#### **Unrelated Business Activity:**

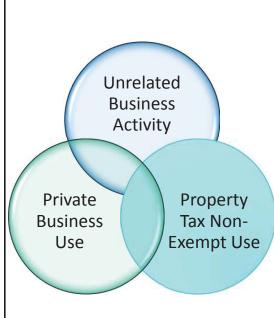
- 1. Trade or business,
- 2. Regularly carried on,
- 3. Not substantially related to furthering exempt purpose.
- \*Numerous exclusions (e.g., certain royalties, rents, capital gains, investment income) and exceptions



#### **Private Business Use:**

- 1. use (direct or indirect)
- 2. of facilities financed by taxexempt financing
- 3. in a trade or business
- 4. by a nonqualified user
- ≤ 5% PBU (different rule for governmental bonds)
- \*Several exceptions and safe harbors
- \*Issue-by-issue basis
- \*Workarounds





## What's the Test for Property Tax Non-Exempt Use?

- Dominant motive?
- Payment of "profits" or surplus revenue as raison d'etre?
- Any payment of "profits" or surplus revenue?
- Commercial activity?
- For-profit competition?
- Engaging in similar activities as forprofits?
- Not engaging in relief of poverty?
- Not reducing government burden?
- Insufficient community benefit?
- Public ownership?
- Public use?
- Other?

### Local Government Sources of Revenue

- Property Tax Payments
- Payments in Lieu of Taxes (PILOTs)
- Voluntary Contributions
- Services in Lieu of Taxes (SILOTs)
- Federal & State appropriations
- Sales and Use tax
- Fees
- Other





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