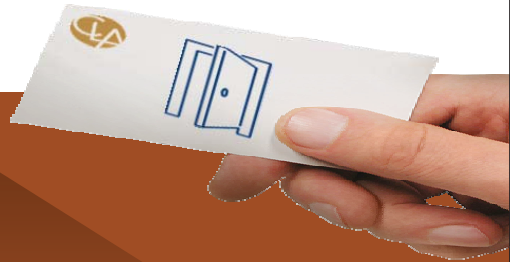


UBIT Literacy: You're doing WHAT??



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Agenda

- Trade or Business
- Regularly Carried On
- Relationship to Mission
- Exceptions
- Advertising/Sponsorships
- Key traps for the unwary



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Unrelated Business Income

What's Wrong with Making a Profit?

- Unrelated Business Income is taxed @ corporate rates (avg. 40% blended Fed & State), leaving the organization with roughly 60% of after-tax profits
- Alternative Revenue Generating Activities, in aggregate, should not become a substantial part of the organization's activity.
- Understanding the tax consequences of proposed transactions help the organization make sound business decisions



Unrelated Business Income

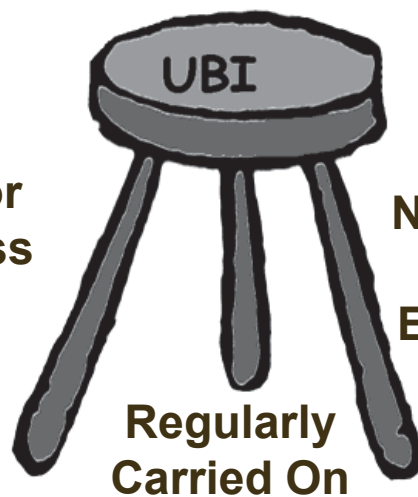
How much is too much?

- IRS has not prescribed a specific threshold or mechanical test
- Determination of excessive unrelated activities is based on facts & circumstances
- Legal precedence has results across the gamut
 - 'Substantial' has been defined as +5% in some areas
 - Rev Rule 57-313: organization with UBI comprising 75% of its revenue was allowed to retain its exempt status



UBI Defined – IRC § 512(a)(1)

**Trade or
Business**



**Not Substantially
Related To
Exempt Purpose**

**Regularly
Carried On**

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