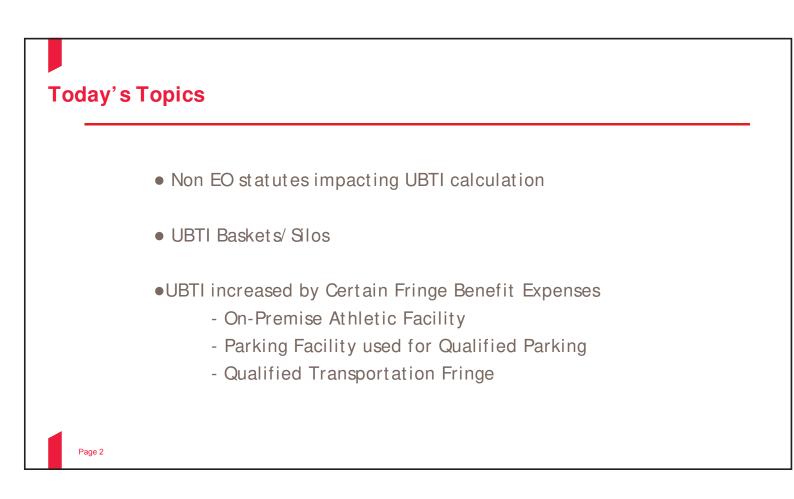
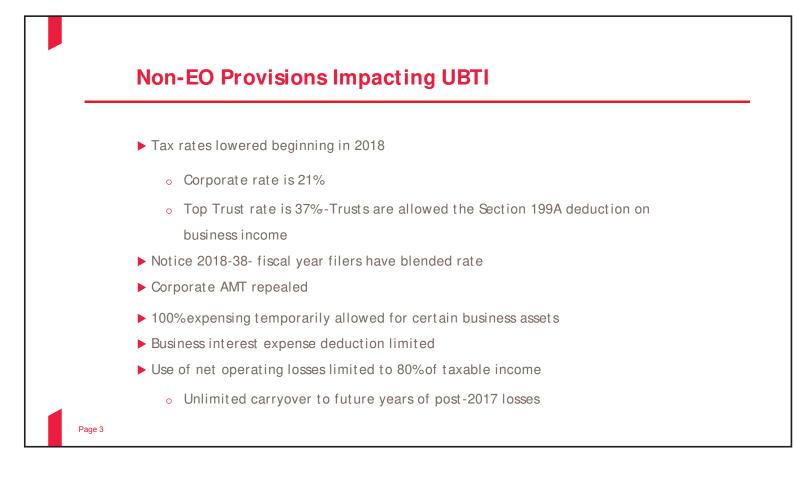
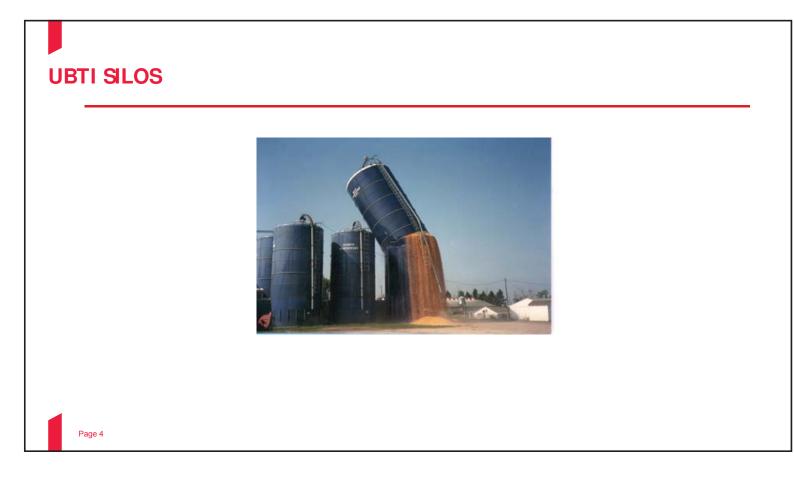
Advanced UBIT in the Wake of Tax Reform

Laura Kalick, BDO USA, LLP - Washington, DC Amy Goodreau Williams, Duke University - Durham, NC Kyle R. ZumBerge, The University of Texas System - Austin, TX







UBTI Baskets/Silos

	SEC. 13702. UNRELATED BUSINESS TAXABLE INCOME SEPARATELY COMPUTED FOR EACH TRADE OR BUSINESS ACTIVITY.
	 COMPUTED FOR EACH TRADE OR BUSINESS ACTIVITY. (a) IN GENERAL.—Subsection (a) of section 512 is amended by adding at the end the following new paragraph: "(6) SPECIAL RULE FOR ORGANIZATION WITH MORE THAN 1 UNRELATED TRADE OR BUSINESS.—In the case of any organization with more than 1 unrelated trade or business—
	organization shall be the sum of the unrelated business taxable income so computed with respect to each such trade or business, less a specific deduction under subsection (b)(12), and "(C) for purposes of subparagraph (B), unrelated busi- ness taxable income with respect to any such trade or business shall not be less than zero.".
	 (b) EFFECTIVE DATE.— (1) IN GENERAL.—Except to the extent provided in paragraph (2), the amendment made by this section shall apply to taxable years beginning after December 31, 2017. (2) CARRYOVERS OF NET OPERATING LOSSES.—If any net operating loss arising in a taxable year beginning before January 1, 2018, is carried over to a taxable year beginning on or after such date—
Page 5	(A) subparagraph (A) of section 512(a)(6) of the Internal Revenue Code of 1986, as added by this Act, shall not apply to such net operating loss, and (B) the unrelated business taxable income of the organization, after the application of subparagraph (B) of such section, shall be reduced by the amount of such net operating loss.

UBTI Baskets/Silos

- The Act disallows tax-exempt organizations from taking the business losses from one unrelated trade or business and deducting them from the income of another unrelated trade or business.
- Organizations could, however, carryforward losses from an unrelated business to reduce income from another year's operation of the same unrelated business.
- Unanswered questions:
 - What constitutes "one unrelated trade or business"?
 - Are passive activities that generate unrelated business income one trade or business (e.g., are alternative investments considered one unrelated trade or business or is each investment a separate unrelated trade or business)?
 - o Is trade or business grouped by geography, activity, or management?

Find the full text of this and thousands of other resources from leading experts in dozens of legal practice areas in the <u>UT Law CLE eLibrary (utcle.org/elibrary)</u>

Title search: Advanced UBIT in the Wake of Tax Reform

Also available as part of the eCourse

<u>UBIT: Advanced Issues, Risk Management and Preparedness in the Wake of Tax</u> <u>Reform</u>

First appeared as part of the conference materials for the 6th Annual Higher Education Taxation Institute session "Advanced UBIT in the Wake of Tax Reform"