

Siloing and Unrelated Business Income

Higher Education Tax Institute
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With you today....

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Agenda

- **IRC 512(a)(6) – Background and code provision**
- **Notice 2018-67**
 - **Background**
 - **Unrelated Business Activities**
 - **Debt Financed Income**
 - **Investments**
 - **Other income considerations**
 - **Allocation of Expenses**
- **Planning and Reporting considerations**
 - **Draft 990-T**
 - **Next Steps**

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IRC 512(a)(6)

Background

&

Code Provision

Background

- UBI siloing is not a new idea
- In 2014 then House Ways and Means Committee Chairman Dave Camp introduced comprehensive tax reform – H.R. 1
- H.R. 1 included several provisions impactful to exempt organizations including a proposal that exempt organizations need to calculate separately the net unrelated business income of each unrelated trade or business
- H.R. 1 was not successful but several of its provisions found their way into the Tax Cuts and Job Act (TJCA), including this siloing provision

UBTI segregation – Section 512(a)(6)

- Prior law
 - Deductions from one unrelated trade or business could be used to offset income from another, thereby reducing total unrelated business taxable income
- Tax Cuts and Jobs Act
 - Section 512(a)(6) – In the case of an organization with more than one trade or business UBTI shall be computed separately with respect to each trade or business
 - *Impact:*
 - A loss from one unrelated trade or business may not offset taxable income from another trade or business.
 - Net operating losses will be calculated separately for each trade or business going forward
 - This provision is effective for tax years beginning after December 31, 2017

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