



**Policy: Unrelated Business Income (UBI)**

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Controller's Office Policies and Procedures

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### Background

As a result of its mission as an educational institution, Villanova University is generally exempt from the payment of federal income tax. Despite this general exemption, the University (along with other nonprofit, tax exempt organizations) is subject to federal income tax for "unrelated business income (UBI)". UBI is defined by the Internal Revenue Service as income derived from trade or business activities which are regularly carried on and are not substantially related to the tax-exempt function of the organization. Exemptions are provided for "income from activities carried on primarily for the convenience of its students and employees", as well as for other specific reasons.

The University is required to report its UBI annually, on IRS Form 990-T, and pay any tax which may be due.

### Policy

It is the policy of Villanova University that all UBI shall be accurately reported on the University's federal tax return each year, in accordance with IRS rules and regulations. To support this reporting, it is essential that any potential sources of UBI be brought to the attention of the Controller's Office, for determination of whether or not UBI indeed exists. It is the responsibility of the department heads to ensure that UBI is tracked within their departments in a manner which facilitates the required reporting to the IRS.

### Procedure

Any department that has reason to believe that any existing or new activity may potentially generate UBI should contact the Controller's Office to discuss the specific facts surrounding that activity. In consultation with General Counsel's Office and/or the University's independent tax consultants, a determination will be made regarding whether UBI exists. If it is determined that UBI exists, the Controller's Office will work with the department to ensure that the appropriate accounting mechanisms are in place.

There are no penalties or adverse consequences that will result for a department as a result of its generating any UBI (other than paying the tax); the purpose of this policy is to ensure that the University is filing a Form 990-T which is complete and accurate, which it is responsible for doing under IRS regulations.

Some of the relevant questions for determining whether or not UBI exists are as follows:

- Does the activity compete with for-profit businesses conducting the same activity?
- With what frequency is the activity conducted?
- How does the activity enhance, further, or in any way relate to Villanova's educational purpose?

- Do students participate in the activity as part of a required learning experience?
- Do unpaid volunteers (students or other) participate in the activity?
- Is the activity performed for the convenience of Villanova students, faculty, or staff?
- Is revenue generated from the sale of commercial advertisements in a University publication?
- Does the activity involve a joint venture or partnership with a for-profit organization or an individual?

This list is not comprehensive, and each activity needs to be evaluated based on its own facts and circumstances. However, it should be helpful for departments to use in identifying activities which may generate UBI.