

**California State University, Northridge
University Student Union, Inc.**

Fiscal Policy

SUBJECT: Unrelated Business Income

REFERENCE: Internal Revenue Service Code on Unrelated Business Income

DEFINITION: General Rule: Unrelated Business Income (UBI) is income derived from any activity which is outside the mission of a tax-exempt entity.

UBI is taxable if all three of the following are met:

- Income from a trade or business (*The sale of goods or services with a profit motive*),
- Regularly carried on (*By comparison with commercial enterprises*), and
- Not “substantially related” to the organization’s exempt purpose.

Absence of any one of the three elements (generally) means there is no UBI.

Exempt Unrelated Business Income: Per Federal regulations the following are not subject to unrelated business tax: Dividends, certain rental income, royalties, annuities and interest; Activities by volunteers; Sale of gifted items; Total gross amounts (Gross receipts less Cost of Goods Sold) under \$1000.

POLICY: The University Student Union will review all revenue generating activities on an annual basis regarding UBI based on IRS tax codes and IRS reporting requirements. The Union’s external auditors will file any UBI reports required by law.

Business Services
Unrelated Business Income Procedures

- I. Revenue Activity
 - A. Management will identify, record, and have supporting documentation for those activities that have been identified during the budget process of possibly generating UBI.
 - B. The Accounting Manager will be responsible for identifying those activities that may produce UBI and keeping accounts and records that identify the income associated with it.
 - C. The Associate Director of Finance & Business Services will review the findings with the appropriate professionals to determine if there is UBI.

- II. Expenditure Activity
 - A. The Accounting Manager is responsible for capturing the expenditures of an activity that may produce UBI.
 - B. An expenditure allocation will be made according to a prorated basis associated with the income of the department unless the entirety of the activity is kept separate on the financial records.
 - C. A General & Administrative Allocation will be made to the activity. General & Administrative costs associated with the activities will be allocated on a prorated basis according to appropriate revenues and/or expenditures.

- III. Unrelated Business Income Analysis
 - A. The Accounting Manager at year end will prepare a Summary Statement of UBI Activity, showing the revenue, expenses, general & administrative allocation, and Net Surplus Gain(Loss) for the activity.
 - B. The Accounting Manager will give the Summary Statement to the Associate Director of Finance & Business Services for review in determining if the activity is UBI and needs to be reported on a 990-T, and filed with the annual 990 tax return.

- IV. Income Tax Filing
 - A. Annually, external auditors will review the UBI analysis to determine if a 990-T needs to be filed.
 - B. The Accounting Manager will provide the source documentation from the Summary Statement and supporting records.

- V. External Controls
 - A. External Auditors will review those revenues and expenditures identified as UBI and analyze for appropriateness and completeness during the audit process.
 - B. External Auditors will prepare the 990-T if necessary.