

MY COLLEGE NEEDS TO PAY TAX - WHAT?!!!!!!

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Agenda

- Overview of unrelated business income
- Qualified parking and transportation fringe benefits
- Rental of facilities
- Bookstores and sundry shops
- Restaurants and cafeteria
- Theatrical and musical presentations



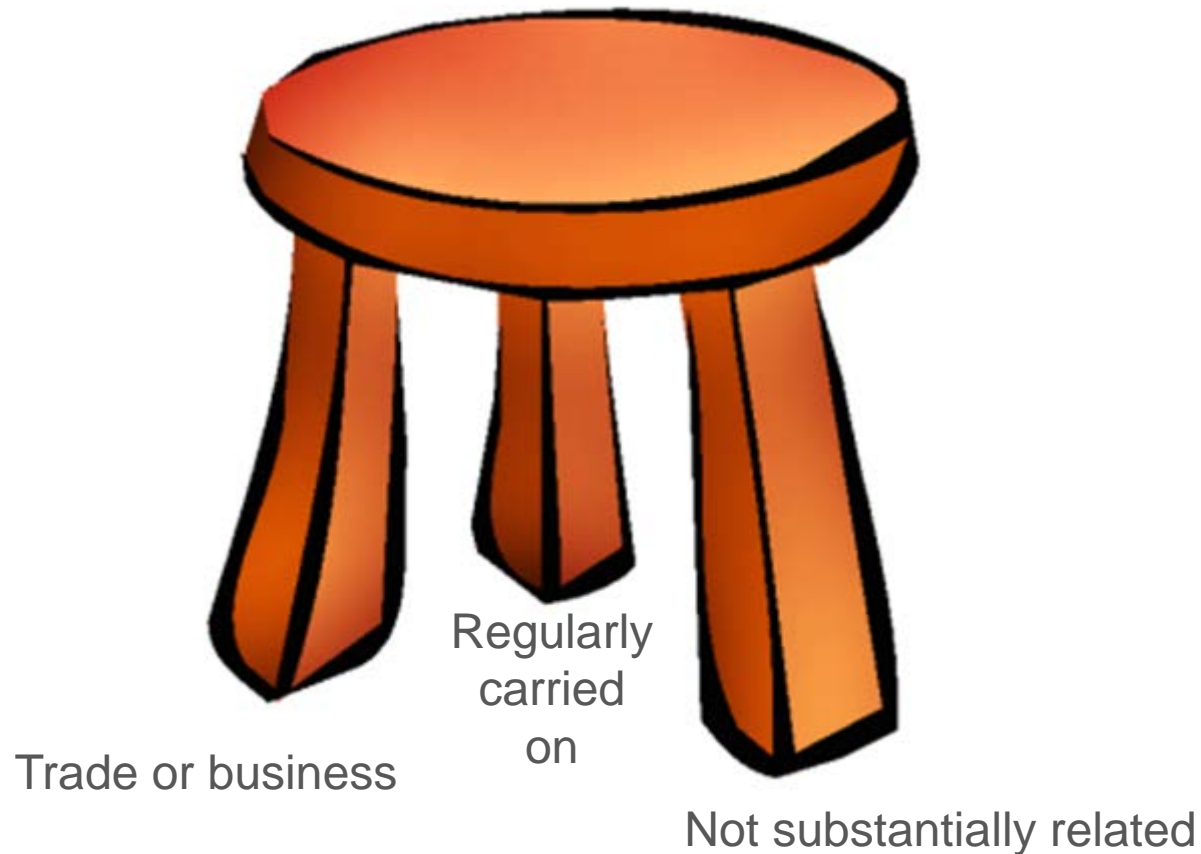


OVERVIEW OF UNRELATED BUSINESS INCOME



Overview of unrelated business income

Unrelated business income



Overview of unrelated business income

Who should be concerned with this?



ALL educational institutions





PARKING AND TRANSPORTATION FRINGE BENEFITS



Parking and transportation fringe benefits

- Unrelated business taxable income of an organization will be increased by any amount for which a deduction is not allowable for income tax purposes by reason of section 274 and which is paid or incurred by such organization for any:
 - qualified transportation fringe (as defined in section 132(f)),
 - any parking facility used in connection with qualified parking (as defined in section 132(f)(5)(C)), or
 - any on-premises athletic facility (as defined in section 132(j)(4)(B)).
- **Illinois decoupled for tax years beginning after 12/31/18**



Parking and transportation fringe benefits

- Notice 2018 -99
- The amount paid to third parties will be considered Unrelated Business Taxable Income (UBTI) up to the 132(f) exclusion (\$260 for 2018 and \$265 for 2019)



Parking and transportation fringe benefits

- Notice 2018 -99
- Employer owns or leases parking facility must use an allocation method based on use of the parking facility
- Reserved spots
- Spots used by general public
- General public



TCJA – transportation and parking benefit UBI

- Notice 2018 -99



- Cost considered UBI
- Reserved Spots 100%
- More than 50% used by General public no UBI
- More than 50% used by employees UBI based on ratio

Parking and transportation fringe benefits

- On-premises gyms and other athletic facilities which are offered by an employer to his/her employees generally does not result in gross income for the benefit.
- On-premises athletic facility means any gym or other athletic facility which is located on the premises of the employer, which is operated by the employer, and substantially all the use of which is by employees of the employer, their spouses, and their dependent children.
- It appears UBI will apply to facility use if it is used predominantly by highly compensated employees (an exclusion for facility usage applies to employee use and was not changed as a result of other changes to section 274 via the TCJA).



Parking and transportation fringe benefits

- Questions:
- Are parking / transit passes offered to employees on a pre-tax basis?
- Are any spots reserved for faculty which includes independent contractors?
- Are any spots reserved for employees?
- What is my employee to student/public ratio for parking?





RENTAL OF FACILITIES



Rental of facilities

- Modification to unrelated business income:
- Dividends
- Interest and Annuities
- Royalties
- Real Property Rents
- Capital Gains
- Research Income



Rental of facilities

- Rents from real property are excluded unless:
- Rental payments calculated based on net profits (percentage of gross is okay)
- Rental payment is from a controlled corporation (512(b)(13))
- The property is debt financed (special exception for schools)
- The payment includes compensation for services
- More than 50% of the rent is attributable to personal property



Rental of facilities



**FOOD
VENDORS**



Rental of facilities

- Questions:
 - Do I receive rental income?
 - Do I perform services in connection with the rental?
 - Is there rental of personal property in connections with the facility rental?
 - Is the rental income from net profits or gross profits if not fixed?
 - What is the purpose of the rental?





BOOKSTORE & SUNDRY SHOP



Bookstore and sundry shop

Are the sale of items related or unrelated to your exempt purpose?

- Books
- Magazines
- School Supplies
- Stationary
- Apparel



Bookstore and sundry shop

- Exceptions to unrelated business income:
 - Volunteers
 - Donated Merchandise
 - Mailing List
 - **Convenience**
 - Bingo
 - Qualified Sponsorship
 - Public Entertainment and Convention
 - Certain Hospital Services
 - Pole Rentals
 - Distribution of Low Cost Items



Bookstore and sundry shop

Convenience Exception:

Any activity carried on primarily for the convenience of organization's members, students, patients, officers, or employees

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"It's convenient, but have we gone too far?"

Bookstore and sundry shop

- What falls under the convenience exception?
 - Toiletries
 - Short term leasing of TV's / refrigerators
 - Tapes and accessories
 - Clothing embossed with school insignia and clothing used in school sports and activities and items with a useful life of less than one year
 - Film and supplies
 - Greeting cards
 - Health and beauty aids
 - Plants



Bookstore and sundry shop

- Questions:
 - Who are the primary customers?
 - What items are being sold?
 - Are the operations outsourced?





RESTAURANTS AND CAFETERIA



Restaurants and cafeteria

Not taxable	Taxable
Curriculum	Operated in commercial manner
Convenience exception	Mostly general public
Educational component	Catering



Restaurants and cafeteria

- Questions:
 - Is this related to an educational activity?
 - Who are the customers?
 - Is it operated in a commercial manner?





THEATRICAL AND MUSICAL PRESENTATIONS



Theatrical and musical presentations

Not taxable	Taxable
Sponsored professional theatre companies available to students/faculty and general public	Dinning facility prior to performance
Professional actors and students (public attendance solicited)	Popular entertainment with no educational consideration and regularly carried on



Theatrical and musical presentations

- Questions:
 - Is this related to an educational activity?
 - Is it operated in a commercial manner?



THANK YOU FOR
YOUR TIME AND
ATTENTION



QUESTIONS AND ANSWERS



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