



ANSI Legal Issues Forum 2015

Top Legal Traps Your
Non-Profit Organization
Needs to Avoid



Unrelated Business Income Tax

Presented by

Anne K. Gerson, Esq.

Carter Ledyard & Milburn LLP

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Part of the **World Standards Week 2015** series of events

Overview

□ Agenda

- Definition
- Modifications to the General Rule
- Exceptions to the General Rule
 - Corporate Sponsorship Discussion



Definition of UBIT

- Unrelated Business Taxable Income is derived from:
 - A trade or business,
 - Regularly carried on
 - Not substantially related to the organization's exempt purpose



Modifications

Passive Income

- Dividends, interest income, annuities, and income related to certain lending arrangements.

Royalties

- Payments for the use of a valuable intangible right. Measured by production or by gross or taxable income from the property and all deductions directly connected with such income.
- “Services” limitation



Modifications

□ Rent

- Rents from real property, and incidental amounts of personal property leased with the real estate.
 - Exception if rent depends on income or profits
 - “Services” limitation

□ Capital Gains

- Gains from the sale, exchange, or other disposition of capital gain property, other than property held as inventory.
 - Controlled entity exception
 - Debt-financing exception



Exceptions

- Volunteers
- Convenience
- Contributions
- Trade Shows and State Fairs
- Bingo
- Mailing Lists
- Corporate Sponsorship Payments

