**APPENDIX B - Reporting Unrelated Business Activities to Business Systems and Accounting Services (BSAS).**

**Overview**

The Unrelated Business Income (UBI) Questionnaire is used by BSAS to determine the tax status of an activity. The department’s designated employee must complete a questionnaire for the following:

* Each activity initiated during the year with a potential for generating unrelated business income.
* Changes to ongoing activities that may affect the reporting status.

IRS audit requirement:

* The University is obligated to maintain a central file of all income producing activities that are outside of the University’s exempt purpose of education. Activities that meet certain exceptions are not taxable as UBI, and that non-taxable classification needs to be documented. Any activities that do not meet an exception will be taxable as UBI and will be reported on an income tax return filed by BSAS.

Additional Pointers:

* The questionnaire should be completed with reference to the UBI procedures in APM 20.60.
* All contracts and agreements must accompany the application.
* In regards to commercial advertising or acknowledgement of sponsors, with the exception of those in the school’s newspaper, the Argonaut, and Blot magazine, a copy of the publication, script aired, etc. must be included in the application package. BSAS is obligated to review each advertisement, or acknowledgment, including those on websites, to determine its tax reporting status.
* When possible, a Department should consider combining similar activities. Please send a request to BSAS (gnrlacctg@uidaho.edu) prior to the combination to discuss the format.

BSAS shall review the Questionnaire and determine the classification of the revenues. Departments with UBI will be required to submit accrual-based Income statements, based on a format and instructions provided by BSAS, for the activity. The statement shall be used to prepare the University’s UBIT return, Form 990-T and Idaho Form 41.

The University of Idaho is required to annually file a consolidated Exempt Organization Business Income Tax Return (Form 990-T) with the Internal Revenue Service and a Form 41, Idaho Corporate Income Tax Return. To accomplish this requirement, it is necessary that this questionnaire be completed for all existing or new revenue producing accounts with a potential to generate UBI. Any subsequent change to revenue producing activities requires the submission of an updated questionnaire. This questionnaire will be part of the University of Idaho’s audit package - if an audit is conducted by the IRS or State of Idaho.

Please refer to the procedures in APM 20.60 for additional information on what constitutes an unrelated business activity.

If you have any questions, please contact General Accounting, at (208) 885-5840.

A signed copy of the questionnaire should be sent to: General Accounting; University of Idaho; BSAS; PO BOX 443166; Moscow, Idaho  83844-3166;  fax: (208) 885-4763
The electronic version should be sent to: gnrlacctg@uidaho.edu.

**NOTE: Each section of the questionnaire must be completed for the revenue producing activity.**

CAMPUS:       DEPARTMENT:

ACTIVITY: (c*heck one)* ON CAMPUS [ ]  OFF CAMPUS [ ]

ORGANIZATION CODE:       ORG TITLE:

CONTACT PERSON:       PHONE: (   )

E-MAIL:

PREPARED BY:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: MM/DD/YY

DEPARTMENT CHAIR:

SIGNATURE OF CHAIR:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: MM/DD/YY

DEAN:

SIGNATURE OF DEAN:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ DATE: MM/DD/YY

**Items to be submitted:**

[ ]  UBIT Questionnaire *Route to General Accounting*

[ ]  New Budget/Chart Request Form *Route to General Accounting*

 <http://www.uihome.uidaho.edu/default.aspx?pid=79438>

**GENERAL**

**A. Trade or Business**

1. Does the activity generate revenue from the sale of goods or the performance of services?

**YES**[ ]  *Complete Entire Questionnaire* **NO**[ ]  *Complete Questions 3, 4, 5 (only) & submit with page 2*

2. Approximately how much revenue was or will be generated during the year by the unrelated portion of the activity?

$

3. Fully describe the activity performed by the department. Please include a description of the goods or services.

4. Describe the reason(s) for the establishment of this activity.

5. Was this activity a new activity or was it an outgrowth or offshoot of an existing or previously conducted activity? Please explain.

6. At the time the activity was being established, was it expected that the activity would lose money, break even, or make a profit? Please provide as much detail as possible.

7. An activity can be exempt from UBIT for lack of a profit motive. If the activity lacks a profit motive, how will you prove a loss or break-even position at the end of the fiscal year?

8. Did the institution of this activity involve the acquisition or development of assets that were expected to appreciate in value over time? If yes, please explain.

9. Who are the purchasers (school district, governmental unit, church, business, individual etc.) of the goods or services? Please be specific.

10. Were any approvals required before this activity could be conducted?

If yes, please describe the approval process.

11. Are separate books and records maintained for this activity?

**YES** [ ]  **NO** [ ]

**B. Regularly Carried On**

12. Is the revenue-producing activity conducted on a "regular" basis? (i.e., year-round,

periodic, seasonal, etc.)

**YES** [ ]  *Complete Question 13* **NO** [ ]  *Complete Questions 14 & 15*

13. Indicate the frequency with which the activity is performed.

14. The revenue-producing activity is conducted on an infrequent, casual, or sporadic

basis. Indicate the frequency and explain why the activity is **not** conducted on a regular basis.

15. Explain why, when and for what reason(s) is the activity conducted.

**C. Related to the University's Exempt Purpose**

16. The test for UBI is based on if the actual activity generating the revenue is within the University’s exempt educational purpose, not how the revenue is spent. Does the activity have a "substantial" causal relationship to the accomplishment of the University's exempt educational, research or extension purpose?

**YES** [ ]  *Complete Questions 17 & 18* **NO** [ ]  *Go to Question 24*

17. If yes, explain how the activity enhances, furthers, or in any way relates to the

education, research or extension purpose of the University.

18. Are students participating in the activity as part of a required learning experience?

 **YES** [ ]  *Complete Question 19* **NO** [ ]  *Complete Question 20*

19. If yes, describe the instructional nature of the duties and tasks assigned to the

students, and the number of students and non-students involved.

20. Is the activity (or goods sold) a by-product of a required learning experience (i.e. meat from cows that were part of a teaching or research project)?

 **YES** [ ]  *Compete Question 21, 22* **NO** [ ]  *Complete Question 24*

21. If yes, please describe the by-product (meat) and the program that required the use or generation of the product (cows)?

22. Is the by-product (meat) of the related activity sold without conversion to another product

(milk converted to cheese or meat to salami or trees to lumber……)?

 **YES** [ ]  *Go to Question 24* **NO** [ ]  *Complete Question 23*

23. If no, please describe the converted by-product (salami) and the educational program (a class that teaches meat processing) that required the use of the by-product (meat)?

**STATUTORY EXCEPTIONS**

**A. Volunteer Labor**

24. Are volunteers (unpaid students, employees, or members of the public) participating in the revenue generating activity?

 **YES** [ ]  *Complete Question 25* **NO** [ ]  *Go to Question 26*

25. If yes, describe the duties or tasks assigned to the volunteers and indicate the

percentage of total effort attributable to the volunteer labor. Also describe any special skills or experience the volunteer brings to the project (i.e. an advertising professional volunteers to design a promotion campaign for the program).

Percentage

**B. Convenience of University Members**

26. Is the activity performed for the convenience of the University’s students, faculty or staff (this does not include alumni or independent contractors of the University)?

 **YES** [ ]  *Complete Question 27* **NO** [ ]  *Complete Question 28*

27. Indicate the percentage of total sales attributable to each group of users:

UsersPercentage

University students

University faculty/staff employees

University alumni

General public

Other (specify)

 TOTAL 100%

28. Is the activity conducted in a remote location that is relatively inaccessible to the

general public?

**YES** [ ]  *Complete Question 29* **NO** [ ]  *Go to Question 30*

29. If yes, please explain.

**C. Donated Merchandise**

30. Does the activity involve the sale of donated goods?

 **YES** [ ]  *Complete Question 31* **NO** [ ]  *Go to Question 32*

31. If yes, indicate the percentage of total revenues attributable to the sale of donated articles.

Percentage

**MODIFICATIONS TO INCOME**

**A. Royalties /Licensing fees/Use of logo**

32. Does the activity generate revenue from royalties, (i.e. payments received from a third party in return for that party’s right to use valuable intangible property such as a patent or license)?

 **YES** [ ]  *Complete Question 33* **NO** [ ]  *Go to Question 36*

33. If yes, please explain the nature of the transactions and the basis for determining the royalty payment (i.e. production, attendance, ratings, gross income, net profits, etc.)

34. Is the royalty income derived in part from the performance of services by the University?

 **YES** [ ]  *Complete Question 35* **NO** [ ]  *Go to Question 36*

35. If yes, please explain.

**B. Rents**

36. **Real property only**

Does the activity generate revenue solely from the rental of real property?

**YES** [ ]  *Complete Question 37 c* **NO** [ ]  *Complete Question 37 a*

37. **Real and Personal Property Rents**

a. Does the activity generate revenue from a combination of real and personal

property rental (i.e. renting a room as well as table, chairs, AV equipment)?

 **YES** [ ]  *Complete Question 37 b, c, d, 38* **NO** [ ]  *Go to Question 39*

b. If yes, indicate the percentage of total rents received attributable to the real

and personal property:

PropertyPercentage

Real Property

Personal Property

 Total 100 %

c. Is the amount of rent based on a percentage of net income or profits derived from the property (i.e. based on net income of the café operated by the renter in the rented space)?

**YES** [ ]  **NO** [ ]  *Either Answer* *Complete Question d*

d. Describe the type of real and personal property rented.

38. **Rendering of Services**

a. Does the activity provide for any services in connection with the rental of

real property (i.e. the University provides security, janitorial service, setup and running of AV equipment, catering services, laundry services)?

 **YES** [ ]  *Complete Question b* **NO** [ ]  *Go to Question 39*

b. If yes, describe the nature and extent of the services rendered to the tenants.

39. **Debt-financed Property**

a. Does the department receive revenue from the rental of debt-financed property (e.g. property acquired through the use of a mortgage or bond issue, with a balance outstanding at any time during the year)?

 **YES** [ ]  *Complete Question b* **NO** [ ]  G*o to Question 40*

b. Indicate the percentage make-up of individuals who occupy the debt-finance property on an annualized basis.

Tenants Percentage

Teaching & Research - University of Idaho

Teaching & Research - Other entities

Other tenants, please list by

tenant and type of activity conducted

Total 100%\_\_\_\_

**C. Research**

40. Was the activity “scientific research” as defined by the Internal Revenue Code (“scientific research includes practical and applied research, as well as research that is fundamental or theoretical…an activity will be regarded as scientific research “if professional skill [was] involved in the design and supervision of a project intended to solve a problem through a search for a demonstrable truth”).The Tax Law of Colleges and Universities Second Edition, Bertrand M. Harding, Jr.

 **YES** [ ]  *Complete entire section* **NO** [ ]  *Go to Question 44*

41. Was the scientific research incidental to a commercial or industrial operation?

**YES** [ ]  **NO** [ ]

42. Was the scientific research conducted in the public interest? Must meet *one* of the following four: (1) aiding the scientific education of college and university students, (2) obtaining scientific information published in a form that is available to the interested public, (3) discovering the cure for a disease, and (4) aiding a community by attracting new industry in that location.

**YES** [ ]  **NO** [ ]

43. If the answer is “Yes” to questions 40 and 42 and “No” to question 41, then please explain how the various criteria in question 40 and 42 was met and attach a copy of the agreement.

**SPECIAL CIRCUMSTANCES**

**A. Technically Advanced or Unique**

44. Are the goods, services, knowledge base, or facilities offered technically advanced, unique or unavailable within a reasonable distance of the University?

 **YES** [ ]  *Complete Question 45* **NO** [ ]  *Complete Question 46*

45. If yes, please explain.

46. Are the goods or services available via the internet?

 **YES** [ ]  *Complete Question 47, 48, & 49* **NO** [ ]  *Go to Question 50*

47. If yes, please explain why it is not a feasible choice for the client.

48. What evidentiary data do you have to support the uniqueness of your service?

49. How will you monitor the ongoing uniqueness of the goods or services offered?

**ADVERTISING**

**A. Commercial Advertising Sales**

**Note:** Forward to BSAS all publications with advertisements, scripts of advertisements read on the radio, shown on television or published on the internet, list the web sites etc.

50. Does the activity involve the sale of commercial advertisements in a

University publication, radio, television, billboard, wall, website or some other format?

 **YES** [ ]  *Complete Questions 51, 52, 53, 54* **NO** [ ]  *Go to Question 55*

51. Do you have a website with hyperlinks to commercial enterprises?

 **YES** [ ]  Complete Question 52 **NO** [ ]  *Go to Question 53*

52. If yes, please explain the purpose of the link and list the web site.

53. Are the advertisements sold by:

 a. Students? **YES** [ ]  **NO** [ ]

 b. Paid employees? **YES** [ ]  **NO** [ ]

 c. An outside company? **YES** [ ]  **NO** [ ]

 d. Volunteers? **YES** [ ]  **NO** [ ]

*If “YES” to any part of Question 53, answer Question 54*

54. Describe the duties, and time spent on the solicitation campaign, by those involved in the sale of advertisements.

**B. Corporate Sponsorship Income**

**Note:** Forward to BSAS all publications with acknowledgements, scripts of acknowledgements read on the radio, shown on television or published on the internet, list the web sites, etc.

55. Does a corporate sponsor receive advertising space (in a newsletter, billboard, event program, or other media) or air time (public announcements at games, events or on radio or TV broadcasts) in exchange for sponsorship of a sporting, fundraising, or other event; or any other type of sponsorship (i.e. exclusive provider arrangement on campus underwriting of campus radio of TV programs)?

 **YES** [ ]  *Complete Entire Section* **NO** [ ]  *Go to Question 60*

56. If yes, does the message or programming material include any of the following:

a. Qualitative (descriptive) or comparative language related to the sponsor's company, product, services, or facilities?

**YES** [ ]  **NO** [ ]

b. Price information or other indications of savings or value associated with a product or service?

**YES** [ ]  **NO** [ ]

c. A "call to action" requesting that participants patronize the sponsor?

**YES**[ ]  **NO** [ ]

d. An endorsement of the sponsor's company, product, services, or facilities?

**YES** [ ]  **NO** [ ]

e. An inducement to buy, sell, rent, or lease the sponsor's product or services (including coupons or other discounts for the participant)?

**YES** [ ]  **NO** [ ]

57. Is the amount of the payment contingent, by contract or otherwise, upon such factors as broadcast ratings or attendance at an event?

**YES** [ ]  **NO** [ ]

58. Does the sponsor receive a substantial return benefit in exchange for the payment? Please indicate whether the sponsor, in exchange for the payment receives:

(a) Goods or services, such as tickets or donor receptions, exceeding in value 2 percent of the payment?

**YES** [ ]  **NO** [ ]

(b) An exclusive provider arrangement, specifying that products or services competing with the sponsor's products or services will not be sold or provided in connection with the activity?

**YES** [ ]  **NO** [ ]

59. Please describe the type of event conducted and provide an explanation for any question with a yes answer in 2 through 4 above.

**JOINT VENTURES**

**A. Partnership with Non-Exempt Entity**

60. Does the activity involve a joint venture or partnership with a taxable organization?

 **YES** [ ]  *Complete Question 61* **NO** [ ]  *Go to Question 62*

61. If yes, please *attach* a copy of the partnership agreement.

**RELIEF OF GOVERNMENT BURDEN**

**A. Identification of Government Burden**

62. Does the activity involve the performance of an essential government service?

**YES** [ ]  *Complete Question 63 & 64* **NO** [ ]  *Questionnaire is complete*

63. If yes, please answer the following:

a. Was the activity previously undertaken by the governmental unit?

**YES** [ ]  **NO** [ ]

b. Will the governmental unit be exercising any on-going supervision of the activity?

**YES** [ ]  **NO** [ ]

c. Have there been formal legislative or other official actions of the governmental unit recognizing the University as acting on behalf of the government?

**YES** [ ]  **NO** [ ]

d. Is the activity an integral part of a larger government program?

**YES** [ ]  **NO** [ ]

64. Please provide an explanation for any of the questions in 63a-d above with a yes answer.

***For General Accounting Office Use Only***

**OVERALL DETERMINATION:**

**Report to IRS\_\_\_\_\_\_\_\_\_ Exempt \_\_\_\_\_\_\_\_\_\_ Unsure**\_\_\_\_\_\_\_\_\_\_\_\_

Briefly explain the reason(s) why the activity should be reported or exempted.

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