POLICY STATEMENT (R*)

The University is exempt from the federal corporate income tax because of its exempt purposes, i.e., its education, research, and public service activities. However, in instances where the University receives revenue from activities unrelated to its exempt purposes, the revenue (referred to as Unrelated Business Income (UBI)), may be subject to tax.

Individuals who are responsible for advancement (including fundraising, marketing, development), auxiliary enterprises, real estate transactions, university or foundation investments, intellectual property, research, and business operations or management of their units must comply with the conditions set forth in this policy and must submit their UBI activity to the Controller’s Office on a yearly basis.

By complying with this policy, such individuals will assist the Controller’s Office in determining whether income generated by activities of their units is subject to the Unrelated Business Income Tax (UBIT).

In order to determine whether any income is subject to the UBIT, a three-part analysis is necessary:

1. Is the income derived from an activity that is an unrelated trade or business of the University?
2. If so, can the income be excluded from UBI under the Internal Revenue Code?
3. If not, is there any net income after deductions are made for expenses?

Any net income that remains after deductions is subject to the UBIT.

Any department which incurs UBIT and fails to report such income as set forth in this policy (and the procedures implementing this policy), shall be required to pay from the department’s funds any UBI back taxes, any applicable Internal Revenue Service (IRS) penalties, and any fees and legal expenses, regardless of whether the failure to report is discovered by a University self-audit or an IRS audit.

REASON FOR POLICY (O*)

The purpose of the UBI law is to tax income from University activities that are not related to the University’s exempt purposes so that the University does not have an unfair advantage over private businesses that may be engaged in similar activities and are subject to the corporate income tax.

DEFINITION (R)

Under the IRS definition, the following criteria must be met in order for the activity to constitute an “unrelated trade or business”:

1. The activity must be a trade or business;
2. The activity is regularly carried on by the University; AND
3. The activity is not substantially related to the performance of the exempt mission of the University.

Trade or Business: any activity carried on for the production of income from selling goods or performing services.

Regularly Carried On: an activity is “regularly carried on” if it is conducted with a frequency and continuity comparable to the conduct of a similar activity by a private business.
Substantially Related: an activity is “substantially related” only if it contributes importantly to the exempt purposes of the University. The activity must have a substantial, causal relationship to the achievement of the University’s exempt purposes – education, research, public service. An activity is not substantially related simply because it raises funds which enable the University to educate or perform research or public service.

**RESPONSIBILITIES (O)**

Department Head – Responsible for ensuring that the appropriate UBI is reported to the Controller’s Office.

University Controller – Responsible for ensuring that the University’s UBIT is paid to the IRS by the appropriate due date.

**RESPONSIBLE UNIVERSITY DIVISION/DEPARTMENT (R*)**

Office of Finance and Administration  
Florida International University

**RESPONSIBLE ADMINISTRATIVE OVERSIGHT (R*)**

Controller’s Office  
11200 S.W. 8th Street - CSC 310  
Miami, Florida 33199  
Telephone: (305) 348-2131

*R = Required  *O = Optional

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