



UNRELATED BUSINESS INCOME QUESTIONNAIRE

PURPOSE

This questionnaire is designed to assist departments, along with the Tax Compliance Office, in identifying activities that may generate unrelated business taxable income. Taxable activities must be reported on the University's annual Exempt Organization Business Income Tax Return (Form 990-T).

This questionnaire is not intended to discourage revenue-generating activities and is meant solely to ensure compliance with federal and state laws and regulations.

Please complete a separate questionnaire for each activity that has potential for generating unrelated business income and return it to the Tax Compliance Office. The Tax Compliance Officer will follow up if more information or clarification is needed on any disclosed activities.

WHAT ARE UNRELATED BUSINESS INCOME ACTIVITIES?

There are three criteria used in determining if an activity is an unrelated business income activity. If an activity meets all three criteria, the activity is considered taxable unless it qualifies for one of the exemptions included in the Internal Revenue Code.

- 1) The activity is a trade or business with the intent of generating a profit.
2) The activity is regularly carried on.
3) The activity is NOT substantially related to the University's exempt purpose of education, research, and community service.

Answer the following preliminary questions regarding the Department's income-generating activities:

- 1. Does the activity generate revenue from the sale of goods or the performance of services? Yes No
2. Is the activity created for the primary purpose of generating a profit? Yes No
3. Is the activity carried out in the same way as a typical for-profit business would operate it? Yes No
4. Does the activity have a substantial causal relationship to the exempt purpose of the organization? Yes No
a. Do students perform substantially all the work as part of an education curriculum? Yes No
b. Does faculty or staff participation assist in the overall accomplishment of the exempt purpose of the university? Yes No

If you answered NO to any of Questions 1-3 or YES to Question 4, STOP HERE, sign the last page and return to the Tax Compliance Office.

If you answered YES to any of the Questions 1-3 and NO to Question 4, continue the questionnaire below.



**ACTIVITY CATEGORIES**

**Advertising** – printed publications, TV or radio broadcasting, websites, etc.

**Sponsorships** – conferences/events, scoreboards, billboards, websites, facilities, printed publications, TV or radio broadcasting, etc.

**Rent** – facilities (labs, classrooms, auditoriums), recreation centers, athletic facilities, personal property (equipment, etc.)

**Retail/Merchandise Sales** – from a storefront, catalog, website, etc.

**Other Services** – applied research, catering services, computer/technology services, etc.

**Intangible Property** – copyrights, patents, royalties, broadcasting rights, mailing lists, logo usage, etc.

**DESCRIPTION OF ACTIVITY**

Describe the nature of the activity, including the goods or services offered.

Describe the reason(s) for establishing this activity.

Describe the frequency with which the activity is carried on (year-round, monthly, seasonal, etc.).



Approximately how much revenue is the activity expected to generate each year?

Answer the following questions, **only if** the activity involves the rental of real property.

1. Is personal property (machinery, equipment, supplies, etc.) rented in combination with the real property rental?  
Yes                      No
2. Are personal services (catering, videography, photography, janitorial, security, etc.) provided in combination with the real property rental?  
Yes                      No
3. Is the real property being rented debt-financed?  
Yes                      No

Answer the following questions, **only if** the activity involves the performance of **applied** research services. Applied research addresses specific practice problems, takes theoretical knowledge, and uses it to create tangible benefits for individuals, organizations, or companies.

Describe the nature of the applied research being performed and who the research being performed for.

1. Is the research an investigative activity done to validate a scientific hypothesis in which the University is interested, the results of which are made freely available to the general public?  
Yes                      No
2. Does the activity involve the performance of research under a clinical trial or product testing agreement incidental to commercial or industrial operations?  
Yes                      No

**STATUTORY EXCEPTIONS**

The following exceptions are available from the Internal Revenue Code to exclude otherwise taxable activities from unrelated business income tax.

1. Are unpaid volunteers substantially participating in the activity?  
Yes                      No

If yes, what percentage of hours are attributable to unpaid volunteers? \_\_\_\_\_



- 2. Is the activity conducted for the convenience of the University's faculty, staff, or students? Yes No

If yes, please indicate the percentage of total revenue attributable to each group of users:

Table with 2 columns: Users, Percentage. Rows include Students, Faculty/Staff, General Public, Other (specify), and Total (100%).

- 3. Is the activity conducted in a remote location that is relatively inaccessible to the general public? Yes No
4. Does the activity involve the sale of donated merchandise? Yes No

If yes, what percentage of total revenue is attributable to the sale of donated merchandise? \_\_\_\_\_

- 5. Does the activity generate income from qualified sponsorship payments? Yes No
6. Are the goods or services offered technically advanced, unique, or unavailable within a reasonable distance? Yes No
7. Does the activity involve a joint venture or partnership with a taxable organization? Yes No
8. Does the activity involve the performance of an essential government service? Yes No

If yes, please answer the following questions:

- 1. Was the activity previously undertaken by the governmental unit? Yes No
2. Will the governmental unit be exercising any on-going supervision of the activity? Yes No
3. Is the activity part of a larger government program? Yes No



*By completing the fields below, I certify that I have reviewed the foregoing responses. Should I become aware of any activity conducted by my Department that has the potential to generate Unrelated Business Income, I will contact the Tax Compliance Office.*

Department Name: \_\_\_\_\_

Name of individual completing questionnaire: \_\_\_\_\_

Title of individual completing questionnaire: \_\_\_\_\_

Email address of individual completing questionnaire: \_\_\_\_\_

Name of Dean, Director, or Department Head: \_\_\_\_\_

*Submit completed form and any documents you would like to supply to the Tax Compliance Office through any of the following:*

McArthur Hall Room 523  
Mailstop 9602  
ljones@controller.msstate.edu

**Unrelated Business Taxable Income Determination – Tax Compliance Office Use Only**

Yes                      No