Identifying Unrelated Business Income

I. GENERAL
Does the activity generate income from the sale of goods or the performance of services?

Yes

Is the activity regularly scheduled and frequently carried on?

Yes

Does the activity contribute substantially to the instructional or research purpose of the University?

Yes

If so, is the related activity carried on to a size and extent larger than necessary to accomplish the exempt purpose?

No

II. STATUTORY EXCEPTIONS
Does the activity exist primarily for the convenience of the University’s students, faculty, staff or patients?

Yes

Volunteers providing services

EXEMPT

Do unpaid volunteers provide the income generating services? If so, do the volunteers generate over 85% of the total income earned by the activity?

No

Students providing services

EXEMPT

Do University students provide the income generating services as part of an educational curriculum? If so, do the students generate over 50% of the total income earned by the activity?

No

Sale of Donated Goods

EXEMPT

Does the activity generate income from the sale of donated goods? If so, does the sale of donated goods represent over 85% of the total income earned by the activity?

No

Qualified Sponsorship

EXEMPT

Does the activity generate income from the receipt of qualified sponsorship payments?

No

Trade or Business

EXEMPT

Does the activity generate income from the sale of goods or the performance of services?

No

Regularly Carried On

EXEMPT

Does the activity contribute substantially to the instructional or research purpose of the University?

No

Size and Extent

EXEMPT

If so, is the related activity carried on to a size and extent larger than necessary to accomplish the exempt purpose?

No

Convenience of student, faculty, staff, or patients

EXEMPT

Does the activity exist primarily for the convenience of the University’s students, faculty, staff or patients?

No

Volunteers providing services

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EXEMPT

Does the activity generate income from the receipt of qualified sponsorship payments?

No

Trade or Business

EXEMPT

Does the activity generate income from the sale of goods or the performance of services?

No

Regularly Carried On

EXEMPT

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No

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If so, is the related activity carried on to a size and extent larger than necessary to accomplish the exempt purpose?

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No

Qualified Sponsorship

EXEMPT

Does the activity generate income from the receipt of qualified sponsorship payments?
Identifying Unrelated Business Income

Does the activity generate income from the receipt of contributions associated with the distribution of low cost materials?

No

Distribution Low Cost Materials

Yes

EXEMPT

The income generated by the activity may be taxable.

Does the activity generate income from the receipt of contributions associated with the distribution of low cost materials?

No

Exchange/Rental Mailing List

Yes

EXEMPT

Does the activity generate income from the exchange or rental of mailing list with another tax exempt organization?

No

III. MODIFICATIONS TO INCOME

Does the activity generate income from the rental of real property?

If so, is personal property rented in combination with the real property rental?

Are personal services provided in combination with the real property rental?

Is the real property being rented debt financed? If so, is the occupancy by external tenants greater than 15% of the total space?

Does the activity generate income from royalties?

No

Real Property

Personal Property

Personal Services Provided

Debt Financed Property

No

No

No

No

No

Yes

Yes

Yes

Yes

EXEMPT

EXEMPT

EXEMPT

EXEMPT

Does the activity generate income such as dividends, interest, etc or gain/losses from the sale of investment property?

Investment Activity

Yes

EXEMPT

No

Does the activity generate income from sponsored research or clinical trials (involving medical training or patient care)?

Spon. Research/ Clinical Trial

Yes

EXEMPT

No

This flow chart is for illustrative and training purposes only. Please contact FSO Tax Services at taxservices@fso.arizona.edu for additional clarification when generating income from selling goods or performing services for external customers.