

Unrelated Business Income Tax (“UBIT”)

Special Circumstances and Guidelines

11. Affinity Credit Cards/Mailing Lists

The University may enter into “affinity credit card” agreement with commercial banks which grants the bank the right to market the bank’s credit card using the University’s name, logo, or mailing lists.

The income from affinity credit cards may be excluded as royalty income considering it is passive income and the University does not share profits with the commercial banks.

In order to avoid UBI, the University should carefully structure any affinity credit card agreement to avoid or minimize any services such as assisting in advertising and promotion, preparing labels and handling correspondence and telephone inquiries. The agreement should also limit the University’s control to the activities designed to protect the University’s name and goodwill, such as reviewing marketing materials for the matter of good taste and ensuring the quality of the product and services being provided (Bertrand Harding, *The Tax Law of College and Universities*, 2nd Edition).