

Unrelated Business Income Tax (“UBIT”)

Special Circumstances and Guidelines

1. Bookstore Sales

- directly educational materials -- nontaxable

Sales to students, faculty, and other employees of items that are directly related to the University’s educational purpose, such as books, records, tapes, general school supplies (notebooks, paper, pens, pencils and typewriters) and athletic wear used in the school’s athletic and physical education programs

Computer and related products: there must be direct evidence that such sales programs lead to the enhanced computer literacy of faculty, staff, and students. The IRS guideline states while the sale of a single computer to a student or faculty member is not taxable, sales of multiple computers to such individuals and sales of a single computer to alumni and members of the general public may be taxable.

- non-educational, convenience exception -- nontaxable

Non-educational items that may fall under the **convenience exception** include items that are low in cost and in recurrent demand. The convenience exception is applicable only to members of the university. Any sales to non-members (e.g., the general public) are taxable unless the sales are not "regular" .

Qualified items include clothing embossed with the University’s insignia; clothing used in university sports and activities and low-cost wearing apparel; novelty items (e.g. jewelry, beer mugs, pillows) imprinted with the University’s name or seal; and low-cost items with recurrent demand (e.g. film, cigarette, cards, health and beauty aids, candy, newspapers, and magazines).

However, "convenience exception" does not apply to items with a useful life of more than one year, unless it is a logo novelty item or logo clothing. If the University can demonstrate that its campus is located a considerable distance from commercial retail facilities, it may be able to successfully argue that other items with a useful life of more than one year are nontaxable under the convenience exception.

- other merchandise sales -- taxable

Items do not fall into the above two categories , and are therefore subject to UBIT, include wearing apparel, cameras and photographic equipment and supplies, tape recorders, radios, record players, television sets and small appliances (IRS The College and University Examination Guidelines, 1994).