

# Unrelated Business Income Tax (“UBIT”)

## Special Circumstances and Guidelines

### 3. Catering Activities

When the University provides catering services for events sponsored by the school or by a group of affiliated with the school, it is considered “related”.

If the services are provided to other unaffiliated charitable or educational organization, it can be considered “traditional and commonplace functions of colleges and universities nationwide”, therefore, related to the University’s exempt purpose. However, catering services to nonprofit organizations that are not charitable or educational generally are not related without the University’s members participating in the events.

Some catering activities are not classified as “traditional and commonplace functions” of the University. When a food services department caters special functions such as weddings, receptions, graduation and birthdays parties, or private parties for University officials, these services are consider unrelated and subject to UBI if they are conducted regularly.

In the cases where the catering activities are advertised and provided to the general public, the IRS will treat the activities as unrelated. (Bertrand Harding, The Tax Law of College and Universities, 2<sup>nd</sup> Edition)