

# **Unrelated Business Income Tax (“UBIT”)**

## **Special Circumstances and Guidelines**

### **8. Rental of Conference Spaces and Dormitories**

#### (1) Conference Spaces

If the University conducts conference and meetings at its conference center for another nonprofit, section 501(c)(3) organization (such as another educational or charitable organization), it is generally considered related to the University’s educational purpose.

If the University provides these conference services to an organization that is not exempt under 501(c)(3), such as a trade association or a social club, it is considered not related to the University’s exempt purpose, even if the organization is organized on a non-profit basis. The same conclusion pertains if the University rents its facilities to a for-profit company.

When the University rents its facilities to a for-profit company to conduct a special training program for the company’s employees, the activity needs to be examined carefully. If the training program in nature is the same as a course taught in the University (for example, the program follows the educational curriculum in place at the University, utilizes University professors and teaching assistants, and academic credit is awarded to the participants), then the training program can be treated as related to the University’s educational purpose (Rev. Rule. 68-504, 1968-2 CB211).

#### (2) Dormitories

When the University rents the dormitory spaces to its own students and faculty members, it is considered “related”. It is also considered “related” when the University leases its dormitory spaces to students from the other educational organizations who participate in an educational program in town. (PLR 9014069).

In a recently private ruling letter, the IRS ruled that the rental revenues to family members of students and faculty, potential students, family members of potential students, and guest speakers of the University are also “substantially related” to the University’s educational purpose (PLR 200625035).

When dormitory rentals are related to the conference activities, the same rules governing the conference space rental will apply.

#### (3) Rental exclusion

The “unrelated” income from leasing the conference or dormitory spaces may still be excluded under rental income exclusion. However, whether this exclusion will apply depends on the degree and extent of the services provided as part of the rental activities.

For example, if food service is provided to the meeting participants, then the rental exclusion is not applicable.