

Index

- Accountability, enforcing, 93
- Accounts Payable department, 19, 107
- Accounts Payable Manager, 65
- Accounts Payable personnel, tax committee and, 26
- Activities/expenditures, 169–171
- Adjustments proposed after audit, responding to, 122–123
- Advertising, Unrelated Business Income Tax and, 27, 40, 53, 137–138
- Airline companies, no additional cost services and, 68–69
- Airplanes, university-owned, 73
- Alumni, convenience exception and, 41
- American University, 10
- Appeals office, IRS, 124
- Assessments, 62
 - IRS, 13
 - risk, 13–16, 24
- Assistance, serious tax issues and need for, 18–19
- Athletic facilities, 74–75
- Athletics department, 59, 107
- Athletics Director, 66
- Athletics personnel, tax committee and, 27
- Athletic tickets, free or discounted, 75–76
- Audit defense, 103, 111–120.
 - See also* Audits
 - before the audit, 115–116
 - building, 111–112
 - centralizing tax reporting functions, 125–126
 - defined, 111
 - hiring tax manager and, 125
 - procedure after, 122–125
 - procedure during, 116–122
 - setting tone for tax compliance, 112–114
 - solid, 112
- Auditors, internal, 98
- Auditor's report, 118
- Audits, 43, 58. *See also* Audit defense
 - being well situated in event of, 106
 - of bond issuances, 22
 - CEP, 114
 - defined, 114
 - increase in, for colleges and universities, 113
 - independent contractors and, 27
 - internal, 98, 101
 - “no change,” 66
 - simulated, 98–99, 108
 - statute of limitations and, 120–121
 - types of, 114–115
 - UBIT, 33, 34
- Automobiles, university-owned, 72–73
- Awards, 74
- Awareness, 1–24, 84, 91, 103
 - audit defense and, 128
 - build your village, 24
 - defining tax exempt, 1–2
 - of different kinds of tax, 20–24
 - five tasks related to, 4–20
 - simplified, 107
 - tax compliance, six steps of, 2
 - in tax compliance program pyramid, 3, 111
- Bankruptcy protection, 13
- Benefits. *See* Fringe benefits
- Bond issuances, IRS audits of, 22
- Bond offerings, 64
- Bonuses, thirteenth- and fourteenth-month, foreign countries and, 23
- Bookstore, UBIT determination and, 138–139
- Bright-line tests, 107–108
- Broadcast tower, UBIT determination and, 140
- Budget cuts, 31
- Calendar, tax, 7, 54, 62, 79, 83, 84, 87–89, 107
- Canada, goods and services tax in, 24, 53
- Career services, UBIT determination and, 140
- Causal relationship, UBIT and, 37–38
- Cell phones, 66, 77–78
- Cemeteries, 32

INDEX

- CEP audit, 114
- CFO. *See* Chief Financial Officer
- Charitable contribution deduction, 44
- Charitable gifts, 2
- Chief Financial Officer, 8, 129
 - central role of, 2
 - IRS correspondence and, 17, 18
- Child care, UBIT determination and, 140
- China, foreign students from, 47
- Clinical trials, UBIT determination and, 141
- Closing agreements, entering into and negotiating, 121–122
- Club memberships, 76
- Coaches' disclosure of outside income, 118
- Collections, 18
- Commercially sponsored research, 168
- Community benefit rationale, UBIT and, 38
- Compliance, 55–79, 91, 103. *See also* Tax compliance
 - audit defense and, 128
 - centralizing tax responsibilities and, 63–67
 - checks, 114–115
 - fringe benefits and, 67–78
 - policies and, 56–60
 - risk and, 67
 - simplified, 108
 - tax calendar and, 87–89
 - in tax compliance program pyramid, 56, 111
 - tax research tools and, 60–63
 - tax team and, 55
- "Compliance builds compliance," 25
- Computer center, UBIT determination and, 141
- Computer sales, UBIT determination and, 141
- Congress, higher education as nonprofit organization and, 11
- Contributions account, running general query on, 44–45
- Convenience exception, 41
- Corrective actions, 93
- Correspondence audit, 114
- CPAs, nonprofit taxation and, 56, 125
- Credit-card-swipe machines, identifying UBIT and determining location of, 34, 43–44, 49
- Credits, 17
- Debt-financed properties:
 - substantial use and, 45
 - UBIT determination and, 142
- Deductions:
 - allowable, UBIT and, 43
 - charitable contributions, 44
- Deficiencies, reporting, 93
- De minimus fringe benefits, 68, 70–71
- Deportation, immigration
 - violations and, 23
- Deposit due dates, 82
- Deposit penalties, 17
- Desired behaviors, rewarding, 93
- Direct lobbying, 170
- Directly related expenses, 43
- Directors, 68
- Disaster leave-sharing program, 77
- Disclosure, audits and, 119
- Discounts to employees, qualified, 68, 69
- Disney, Walt, 75
- Dividends, interest and, 41
- Documentation:
 - club memberships and, 76
 - expense allocation and, 44
- Document requests, typical, 118
- Domestic partner benefits, 77
- Donors, reputational damage and, 12
- Dormitory rentals, UBIT determination and, 142
- Dual-use facilities, deducting on a "reasonable basis," 43
- Dues, professional, 73
- Educational tax credit items, 2
- Emergent Phase, 6
- Employee discounts, qualified, 68, 69
- Employee payroll tax, 2
- Employees, 30
 - international, 53–54
 - IRS definition of rights for, 28
- Employer-identification number, 22–23
- Employment tax, 20–21, 50–51
- Employment tax returns, 118
- Entertainment expense
 - reimbursements, 73
- Equipment/facility rental-mixed, UBIT determination and, 143
- Equipment rentals, UBIT determination and, 142–143
- Equipment sales, UBIT determination and, 143

INDEX

- Errors, on proposed adjustment statements, 122
- Excelling Phase, 6
- Excise tax, 2, 22, 52–53
- Expense allocations, 43–48
- Expenses, substantiating, 44
- Facilities rental, UBIT determination and, 144
- Facilities usage (no lease), UBIT determination and, 144–145
- Facts and circumstances test, UBIT and, 35
- Federal excise tax, 2
- Federal government, fulfilling reporting requirements to, 83
- Federal ID number of university, protecting, 106
- Federal tax returns, copies of, 118
- Field audits, 114
- Films, UBIT determination and, 145–146
- Finance directors, UBIT surveys and, 42
- Fixed statute of limitations consent, 120
- Ford Motor Company, 8
- Foreign activities:
 - disclosure of, 166–168
 - foreign accounts, 166–167
- Foreign entities, investments in, 168
- Foreign grants, foreign employees, 167–168
- Foreign nationals, health and retirement plans and, 23
- Foreign offices, 167
- Foreign students:
 - as nonresident aliens, 46–48
 - nonresident alien tax and, 21
 - reporting required for, 84
- Forms:
 - Form 720, 89
 - Form 941, 89
 - Form 990, 10, 11–12, 31, 89
 - Form 1042, 84, 89
 - Form 1099, 4, 8, 29
 - Form 5500, 89
 - Form 5701, 122
 - Form 8300, 89
 - Form 886A, 122
 - Form 990EZ, 89
 - Form 1099 K, 89
 - Form 1099 M, 89
 - Form 1040 NR, 47
 - Form 1042S, 89
 - Form 990-T, 31, 32, 89, 118
- Form 1098-T, 8, 9, 85, 89
 - web-accessed, linkable index to, 94
- Fringe benefits, 51–52, 67–78, 79
 - athletic facilities, 74–75
 - cell phones, 77–78
 - club memberships, 76
 - common, 72–78
 - defined, 67
 - de minimus fringes, 68, 70–71
 - domestic partners, 77
 - foreign nationals and, 23
 - free or discounted theater or athletic tickets, 75–76
 - gifts and awards, 74
 - leave donation or sharing programs, 77
 - no additional cost services, 68–69
 - nontaxable, exceptions with, 67–68
 - professional dues, publications, and meetings, 73
 - qualified employee discounts, 68, 69
 - qualified transportation fringes, 68, 71–72
 - spousal travel, 75
 - supper money and tax fares, 74
 - travel and entertainment expense reimbursements, 73
 - university-owned airplanes, 73
 - university-owned automobiles, 72–73
 - working condition fringes, 68, 69–70
- Fuel purchases, 52–53
- Full-time equivalent (FTE) staff, tax management and, 19
- GAs. *See* Graduate assistants
- Gas rights, 32
- Gift cards, 71
- Gifts, 74
- Goods and services tax, in Canada, 24, 53
- Governance, tax compliance and, 12
- Governing instruments, 118
- Graduate assistants, 60
- Grants, 2
- Grassley, Charles, 9, 10
- Grassroots lobbying, 170
- Gross receipts method, 44
- Health coverage, foreign nationals and, 23
- Higher education, IRS and focus on, 9–12
- “Hobby Loss” rule, 39
- Honorariums, 134
- Hospitals, UBIT determination and, 146–147
- Hotel and motel tax, 2, 59

INDEX

- Human research subjects, payments to, 85–86
- Human Resources department, 66
 - identification and, 107
 - tax committee and, 26
- Hydrobic classes, UBIT determination and, 147
- Identification, 25–54, 91, 103
 - advertising, UBIT and, 40
 - allowable deductions from UBIT and, 43
 - audit defense and, 128
 - common exceptions to UBIT and, 40–41
 - employment tax, fringe benefits and, 50–52
 - excise tax and, 52–53
 - expenses assessment and, 43–48
 - independent contractors and, 27–30
 - of needs, steps in, 26–27
 - overseas and international tax and, 53–54
 - sales tax and, 48–50
 - simplified, 107–108
 - in tax compliance program pyramid, 26, 111
 - three tests for UBIT, 34–39
 - UBIT questionnaire on campus, 41–43
 - unrelated business income tax and, 30–34
- Identification cards, UBIT determination and, 147
- IDRs. *See* Information document requests
- Immigration violations, 23
- Income tax:
 - compliance and, 2
 - foreign authorities and payment of, 24
- Independent contractors, 27–30, 68, 105
 - overseas, 53–54
 - payments to, 2
 - questionnaires for, 30
 - reclassifying as employees, 28–29
 - 20-factor question test and, 30
- Independent schools, UBIT and, 31
- India, foreign students from, 47
- Information document requests, 116, 117, 118
- Interest, 26, 51
 - dividends and, 41
 - IRS examination and, 13
- Internal auditors, 98
- Internal audits, 101
- Internal Revenue Code, 94
- Internal Revenue Service, 1
 - appeals office, 124
 - higher education considered as nonprofit organization by, 11
 - resources for higher education and, 9–12
 - tax-exempt division of, 113, 114
 - as your largest vendor, 7–8
- International employees, identifying, 53–54
- International Student department, 23
- International Students Office, 46, 48, 65–66
- International tax. *See* Overseas (international) tax
- Intramural sports, UBIT determination and, 148
- IRS. *See* Internal Revenue Service
- IRS agents on campus, professional communication with, 119
- IRS Commissioner, 9
- IRS communications, reviewing, 17–19
- IRS correspondence, opening, 17–18
- IRS examination:
 - financial costs of, 13
 - reputational damage and, 12
- IRS examinations, 117
- IRS findings:
 - agreed basis, 123
 - conference and presentations of, 123–124
 - no change, 123
 - partially agreed basis, 124
 - unagreed basis, 123–124
- “IRS Steps Up Scrutiny of Nonprofits,” 9
- Jobs, reputational damage and, 12
- Joint ventures:
 - partnerships and, 169
 - UBIT determination and, 148
- KPMG, 12
- Labor unions in foreign countries, U.S. citizens and, 23
- Leadership, tax nirvana and, 109
- Learning resources, UBIT determination and, 148
- Leave donation or sharing programs, 77
- Legal counsel, audits and, 118
- Levy on bank account, 18
- Liens, 18
- Lifeguard, CPR, First Aid classes, UBIT determination and, 148
- Listed property, cell phones and, 78
- Lobbying, 169–171
 - activities not regarded as, 171

INDEX

- description of, 170
- types of, 170
- Local government, fulfilling reporting requirements to, 83
- Local nationals in foreign countries, duty to register and, 23
- Locker rental, UBIT determination and, 148
- Losses, UBIT and, 44
- Management, looking at, 4–5
- Medical emergencies, leave donation or sharing programs and, 77
- Medicare tax, 2
- Meetings:
 - minutes for, 118
 - professional, 73
- Members, definition of, 41
- Mission statement, for tax compliance program, 92
- Monitoring, 91–101, 103
 - activities summary for, 100–101
 - audit defense and, 128
 - defined, 91
 - of policies and procedures, 92–98
 - simplified, 108
 - in tax compliance program pyramid, 92, 111
- Morris Brown College, 13
- Moving expenses, qualified, 72
- NACUBO Survey on Tax Managers, 62
- National Association of Business Officers, 2
- No additional cost services, 68–69
- No change audit, 112
- Noncompliance with tax law, tax risk and, 12
- Nonprofit exempt organizations, Internal Revenue Service and, 113
- Nonprofit organizations:
 - as defined by IRS, 1
 - IRS and focus on, 9–12
- Nonresident aliens:
 - foreign students as, 46–48
 - payments to human research subjects, 85–86
 - reporting required for, 84
- Nonresident alien tax, 21
- Notice of deficiency, 121
- Notice of Penalty and Interest, 126, 127
- Not substantially related test, UBIT and, 37–39
- Ohio State University, 86
 - hotel motel tax exemption and, 59
 - web page on policies, 94–95
- Oil rights, 32
- Open-ended statute of limitations consent, 120
- Ostrich approach to taxes, 106, 113
- Overpayments, 17
- Overseas (international) tax, 22–24, 53–54
- Parking benefits, qualified, 71
- Parking services, UBIT determination and, 149
- Partnerships, joint ventures and, 169
- Passive income, 40
- Payroll department, identification and, 107
- Payroll Manager, 65
- Payroll personnel, tax committee and, 26
- Peer research, 41
- Penalties, 8–9, 13, 26, 51, 62, 83
- “Permanent establishment,” 22
- Photo service, UBIT determination and, 150
- Policies and procedures, 56–60
 - additional, 57–58
 - audience, 95
 - consistency and ease of use for, 93–94
 - content area, 95
 - current, 58
 - department, 95–96
 - enforcing, 58–60
 - “Frequently Asked Questions” section in, 93
 - general overview section, 94
 - multiple paths to information and, 94, 96
 - streamlining of, departmental collaboration and, 97–98
 - top 10, at colleges and universities, 57
- Political activities, 169
 - definition of, 169
 - lobbying, 169–171
- Political contributions, 45
- Printing, UBIT determination and, 150–151
- Private universities, tax exemption and, 1
- Problem solving, creative, 133
- Procurement cards, 58
- Procurement department, 66, 107
- Procurement personnel, tax committee and, 27
- Profit motive, 32, 36

INDEX

- Proximate and primary relationship test, allowable deductions from UBIT and, 43
- Publications, 73
- Questionnaires:
 - risk assessment, 13
 - UBIT, 33–34, 41–42, 172–175
- Reasonable allocation method, 43
- Recreational memberships, UBIT determination and, 151
- Regional Association of Business Officers, 2
- Regularly carried on test, UBIT and, 36–37
- Relief of government burden, UBIT determination and, 151–152
- Rental income, 41
- Rents, UBIT determination and, 152–153
- Reporting, 81–90, 91, 103
 - audit defense and, 128
 - deficiencies in, 93
 - lapses in, learning about, 83
 - scheduling for, 84–85
 - simplified, 108
 - in tax compliance program pyramid, 82, 111
- Reputation, IRS examination and, 12–13
- Research, 41
 - commercially sponsored, 168
 - UBIT determination and, 45–46, 153–154
- Research studies, payments to participants in, 85–86
- Restricted statute of limitations consent, 120
- Retirement gifts, 74
- Retirement plans, foreign nationals and, 23
- Rights, of taxpayer, 115
- Risk:
 - accepting, 135
 - compliance and, 67
 - monitoring of, 93
- Risk assessment, 13–16, 24
 - questionnaires, 13
 - university wide, 13
- Royalties, UBIT determination and, 41, 154
- “Safe harbors,” independent contractors and, 29
- Sales, UBIT determination and, 154–155
- Sales method, 44
- Sales taxes, 2, 21, 48–50, 59, 105
 - exemptions in other states, identifying, 50
 - UBIT and, 43
- Sales tax paid account, 50
- Scholarships, 2
- Services, UBIT determination and, 155
- Severance tax, 2
- SEVIS, 46
- Smithsonian Institution, 10–11
- Social security tax, 2, 51
- Software upgrades, 65
- Sponsorship, UBIT and, 40
- Sports camps, UBIT determination and, 156
- Spousal travel, 75
- State activities, 168–169
- State government, fulfilling reporting requirements to, 83
- State institutions, tax exemption and, 1
- State sales tax, 2
- State schools, UBIT and, 31
- Statute of limitations, audits and, 120–121
- Storehouse, UBIT determination and, 156
- Student enrollment, reputational damage and, 12
- Student financial aid department, identification and, 107
- Student financial aid personnel, tax committee and, 27
- Student unions, building, 64
- Summer sports camps, UBIT determination and, 156–157
- Supper money, 74
- Swim lessons, UBIT determination and, 158
- Tangible personal property, 48
- Tax calendar, 54, 62, 79, 83, 84, 87–89
 - awareness and, 107
 - completing, forms for, 89
 - pertinent information for, 87, 89
 - reporting and, 108
 - reviewing, 7
 - sample, 88
- Tax committees, quarterly meetings with, 26
- Tax compliance program:
 - advocating for, 24
 - assessing current state of, 5–6
 - components of, 127–128
 - good governance and, 12
 - management strategy for, 12
 - monitoring and controlling, 126
 - setting tone for, on campus, 112–114
 - six steps of, 2–3, 104
- Tax compliance program pyramid, 3, 6
 - audit defense and, 111
 - steps in, simplified, 106–107

INDEX

- Tax conferences, hosting, 7
- Tax department, 4, 19
 - budget for, 61
 - mission statement for, 92
- Tax deposits:
 - control and monitoring process for, 83
 - due dates for, 82
- Tax duties, centralization of, 108
- Taxes:
 - bond issuances and, 22
 - determining outflow of, from your school, 9
 - employment tax, 20–21
 - excise tax, 22
 - kinds of, 20–24
 - overseas (international) tax, 22–24
 - sales tax, 21
 - unrelated business income tax (UBIT), 21
- Tax exempt, defining, 1–2
- Tax-Exempt/Governmental Entities
 - Division, IRS, 12
- Tax exemption certificates, 48
- Tax-exempt organizations, as “withholding agents” for IRS, 2
- Tax-exempt status, overseas (international) tax and, 22
- Tax forms:
 - due dates for, 82
 - preparing, assigning personnel for, 82
- Taxi fares, 74
- Tax law, staying current with, 107
- Tax liabilities, 8, 24
- Tax managers, 4, 5
 - criteria for, 99–100
 - direction from CEO/CFO and, 135–136
 - hiring, 101, 125
 - IRS correspondence and, 17
 - what Vice President wants from, 131–136
- Tax nirvana, 6, 103–109
 - leadership and, 109
 - simplified, 108–109
 - six steps of tax compliance and, 104
 - strategic plan for, 128
- Tax obligations, fulfilling, 20
- Tax office:
 - communication with IRS and, 18
 - location of, 64
- Tax personnel, conducting meetings with, 64
- Tax reporting functions, centralizing, 125–126
- Tax research tools, 60
- Tax residents of foreign countries, 183 days rule and, 23, 24
- Tax responsibilities, centralizing, 63–64
- Tax returns, control and monitoring process for, 83
- Tax risks:
 - issue, department, mitigation (policies), 14–16
 - types of, 5
- Tax roulette, avoiding, 56, 78, 129
- Tax Services Office, 161
- Tax Services Retained Agreement, 125
- Tax staff:
 - with calm approach, 133
 - creative problem solving by, 133
 - with personal detachment, 134
 - risk and willingness of, 135
 - statistics on, 19–20
 - that knows CEO/CFO is in charge, 135–136
 - that understands laws applicable to higher education, 132
 - that understands they work for university not the IRS, 132–133
 - willing to work with others to achieve reasonable results in tax issue, 134–135
 - “Tax Takes a Front Seat,” 9
 - Tax training, 58–59, 61, 78, 93, 109, 132
 - “Tax Translator Guide to UBIT Determination, A,” 34
- Tax treaties, 47
- Tax update meetings, quarterly, 7
- Tax Update Newsletter for Colleges and Universities*, 107, 126
- Tax withholding, foreign students and, 47
- Team approach:
 - developing, 7
 - to thinking about taxes, 86
- Team examination program, 114
- Telecom services contractors, UBIT determination and, 158
- Testing, UBIT determination and, 158
- Theater tickets, free or discounted, 75–76
- 30-day letter, 123–124
- Three-out-of-five year rule, profits and, 39
- Tracking correspondence, 83
- Trade, or business test, 35–36
- Transportation fringe benefits, qualified, 71–72
- Travel:
 - expense reimbursements, 73
 - spousal, 75

INDEX

- Travel tours, UBIT determination and, 158–159
- Truman, Harry S., 31
- Trustees, 68
- Tuition:
- compliance and, 2
 - waivers, 70
- 20-factor question test, 30
- UBIT. *See* Unrelated Business Income Tax
- UBIT questionnaires, 33–34
- on campus, 41–42
 - University of Central Florida, 172–174
 - University of Notre Dame, 175
- UBIT surveys, annual completion of, 42
- Unfiled returns, 62
- United States, number of nonresident aliens in, 47
- Universities, as business organizations, 105
- University of Central Florida, UBIT questionnaire, 172–174
- University of Michigan, 8, 62
- University of Minnesota, UBIT questionnaire, 34
- University of Notre Dame, UBIT questionnaire, 175
- University press departments, 53
- University tax risk matrix, 4
- Unrelated Business Income Tax, 21, 30, 135
- activities subject to, concepts tied to, 38–39
 - advertising and, 27, 40, 53
 - allowable deductions from, 43
 - applicability of, to state and independent schools, 31
 - common exceptions to, 40–41
 - compliance checklist, 160
 - determining, tax translator guide to, 137–159
 - IRS and deep interest in, 32–34
 - losses generated by, carrying forward/backward, 44
 - not substantially related test, 37–39
 - regularly carried on test, 36–37
 - research and, 45–46
 - sales tax and, 43
 - three tests for, 34–39
 - trade, or business, test and, 35–36
 - university's reporting requirements for, 160–166
 - validity of, 32
- Vehicles, university-owned, 72–73
- Vice President, 113
- of Research, 65
 - tax manager and what is needed by, 131–136
- Visas, for American employees working overseas, 23
- Volunteers, 41, 68
- Washington Post*, 10
- Withholding tax forms, quarterly filing of, 84
- Working condition fringe exclusion, 68, 69–70
- W-2 forms, 29, 30, 89, 98
- Your Rights as a Taxpayer*, 115