All tax-exempt organizations and nonexempt charitable trusts, including independent colleges, universities and hospitals exempt under section 501(c)(3) of the Internal Revenue Code (IRC) are required to file IRS Form 990-T, “Exempt Organizations Business Income Tax Return” if they have gross income from an unrelated trade or business of $1,000 or more annually. The following instructions were prepared by the Tax Compliance Office to assist departments in the identification of unrelated business activities as defined by the IRC, carried on at the University of Southern Miss. Activities which are determined to produce unrelated business income will be included in USM’s Form 990-T, Exempt Organization “Business Income Tax Return,” for submission to the Internal Revenue Service.

This questionnaire provides the basis for establishing whether an activity is an unrelated trade or business. The department administrator must complete the questionnaire for all activities within their domain.

If an activity is identified that generates unrelated business income (“UBI”), please also complete the attached Unrelated Business Income Worksheet (which follows the questionnaire) to assist in calculating and reporting unrelated business taxable income (“UBTI”) generated by and expenses “directly connected to” each activity that is identified as generating unrelated business income. A brief description of UBTI and the reporting process appears below.

* If an activity generates UBI, federal income tax must be paid on the amount of unrelated business taxable income (“UBTI”) generated by such activity.
* UBTI means the gross income derived from any unrelated trade or business regularly carried on by USM, less the deductions “directly connected” with carrying on the trade or business (subject to certain modifications).
* To be directly connected with the conduct of an unrelated business, deductions must have an approximate and primary relationship to carrying on that business.
* For purposes of computing unrelated business taxable income, expenses attributable solely to the operation of an unrelated business may be deducted in full.
* Expenses incurred in connection with both an exempt purpose and the conduct of an unrelated trade or business (e.g., facilities or personnel) must be allocated between the two purposes using a reasonable basis of allocation.
* For example, the salary of an employee who devotes 100% of her time to unrelated business may be deducted in full. However, the salary of an employee who provides services to both exempt and nonexempt activities must be allocated between the two activities using a reasonable basis of allocation, such as percentage of time devoted to such activity.
* If a particular cost has been allocated, please specify the basis of allocation on the worksheet.

**To report UBTI activities that result in losses for a 3rd consecutive year, a submission of a 3-to-5-year business plan which demonstrates the profit motive of the activity and related future income must be forwarded to Tax Compliance.**

**We request that you complete the attached questionnaire and return your response to** [**taxcompliance@usm.edu**](mailto:taxcompliance@usm.edu) **no later than September 1, 2025.** Should you have any questions, please email Becky Reeves, Senior Tax Accountant at **taxcompliance@usm.edu**.

#### Unrelated Business Income Questionnaire

#### Part 1:  Unrelated Business Income Tax Questionnaire – to be completed by all schools/departments

#### Part 2:  Additional Healthcare Activities Questionnaire – to be completed if providing any type of healthcare activities

#### Part 3:  Sales Tax Questionnaire – to be completed by all schools/departments

Part 1 and 3 of this questionnaire must be completed for all activities with potential for generating unrelated business income. Part 2 must also be completed by any healthcare related entity. The complete questionnaire will be used to determine if the activity should be included in USM’s Exempt Organization Business Income Tax Return (Form 990-T) submitted to the IRS.

**Note:** Each section of the questionnaire must be completed for all activities, please copy if applicable.

SCHOOL/DEPARTMENT: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

ACTIVITY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

##### PHYSICAL LOCATION WHERE WORK IS PERFORMED: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

SQUARE FOOTAGE DEDICATED TO UBI ACTIVITY: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BUDGET STRINGS - INCOME \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BUDGET STRINGS - EXPENSES \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

CONTACT PERSON: PHONE: ( ) \_ \_\_\_\_\_\_\_

DATE PREPARED: EMAIL: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

OVERALL DETERMINATION: REPORT EXEMPT \_\_\_\_\_\_

### PART 1: GENERAL INFORMATION

##### GENERAL

* 1. Trade or Business
     1. Is the activity generating revenue from the sale of goods or the performance of services?

Yes No

* + 1. Describe in detail the activity performed by the department. Please include a description of the goods or services and the reason(s) for offering these goods or services for sale.
    2. Does the activity compete with for-profit businesses conducting the same activity within or outside of the surrounding community?

Yes No

* + 1. If yes, with whom do you compete? Explain.
  1. Regularly Carried On
     1. Is the activity conducted on a “regular” basis (i.e., year-round, seasonal) basis?

Yes No

* + 1. If yes, indicate the frequency with which the activity is performed:

daily

once a month once a year

one-time event

* + 1. Is the activity conducted on an infrequent, casual, or sporadic basis?

Yes No

* + 1. If yes, explain why the activity is not conducted on a regular basis, or how such activity is carried on in a manner that is dissimilar to comparable commercial activities of non-exempt (business) organizations:
  1. Related to the USM’s Exempt Purpose
     1. Does the activity have a “substantial” causal relationship to the accomplishment of USM’s educational, research or health care exempt purpose?

Yes No

* + 1. If yes, explain how the activity enhances, furthers, or in any way relates to the education, research, or health care purpose of USM. Please provide specific details.
    2. Are students participating in the activity as part of a required learning experience?

Yes No

* + 1. If yes, explain the instructional nature of the duties and tasks assigned to the students.

##### CRYPTOCURRENCY TRANSACTIONS

* 1. Cryptocurrency
     1. Does the activity involve cryptocurrency transactions?

Yes No

* + 1. If yes, please explain the nature of the cryptocurrency activity (e.g., Mining cryptocurrency, exchanging cryptocurrency for other cryptocurrency, donating cryptocurrency, paying for goods & services with cryptocurrency, accepting cryptocurrency payments for good & services, etc.).

##### STATUTORY EXCEPTIONS

* 1. Volunteer Labor
     1. Are unpaid volunteers (students or non-students) participating in the revenue generating activity?

Yes No

* + 1. If yes, describe the duties or tasks assigned to the volunteers and indicate the percentage of total effort attributable to the volunteer activity.

Percentage

* 1. Convenience of USM Members
     1. Is the activity performed for the convenience of USM students, faculty, staff, or patients?

Yes No

* + 1. If yes, indicate the percentage of total sales attributable to each group of users:

|  |  |  |
| --- | --- | --- |
| Users |  | Percentage |
| University students University faculty/staff  University/Health System patients University alumni  General public Other (specify) |  |  |
|  |  |  |
|  | Total | 100% |

* 1. Selling Donated Merchandise
     1. Does the activity involve selling merchandise substantially all of which has been donated to USM?

Yes No

##### MODIFICATIONS TO INCOME

1. Royalties
   1. Does the activity generate revenue from royalties?

Yes No

* 1. If yes, please explain the nature of the activity and the basis for determining the royalty payment (e.g., production, gross income, net profits, etc.).
  2. Is the royalty income derived in part from the performance of services?

Yes No

* 1. If yes, please explain.

1. Rents
   1. Real Property Rents
      1. Does the activity generate revenue from real property (e.g., parking lots, physician office space, commercial retailers, conference rooms, ballrooms, etc.)?

Yes No

* 1. Real and Personal Property Rents
     1. Does the activity generate revenue from a combination of real and personal property?

Yes No

* + 1. If yes, indicate the percentage of total rents received attributable to the real and personal property:

Property Percentage

Real property

Personal property \_\_\_\_\_\_

Total: 100%

* + 1. Describe the type of real property and personal property rented.
  1. Rendering of Services
     1. Does the activity provide tenant services in connection with the rental of property?

Yes No

* + 1. If yes, describe the nature and extent of the services (e.g., housekeeper service, food service, janitorial service, security services, etc.) rendered to tenants.

1. Research
   1. Does the activity involve the performance of research under a clinical trial or product testing agreement with a commercial entity?

Yes No

* 1. If yes, please attach a copy of the research agreement.

##### SPECIAL CIRCUMSTANCES

* 1. Are the goods or services offered technically advanced, unique, or available within a reasonable distance?

Yes No

* 1. If yes, please explain.

##### ADVERTISING & SPONSORSHIPS

* 1. Is revenue generated from the sale of commercial advertisements (or underwriting) in a USM publication?

Yes No

* 1. Do advertisements contribute importantly to the educational or research purpose of the publication?

Yes No

* 1. If yes, please attach a copy of the advertisement.
  2. Did your department or school receive income from advertising during the previous fiscal year?

Examples include revenue from ads appearing in printed publications, websites, university buildings/facilities, TV/radio, websites, Esports, etc.

Yes No

If yes, Types of Advertising received\*

(a) Printed Publications?

(b) Other Printed materials?

(c) Websites?

(d) TV/Radio broadcasting?

(e) Esports?

(f) Other?

E. Did your unit, department, or school receive income from sponsorships during the previous fiscal year? \*

Yes No

Sponsorship examples include revenue from the sponsoring of printed materials/publications, events, websites, facilities, billboards, scoreboards, TV/radio broadcasting, and other activities.

If yes, Types of sponsorship revenue received: \*

(a) Printed Publications

(b) Events (Conferences, etc.)

(c) Facilities

(d) Websites

(e) TV/Radio broadcasting

(f) Billboard/Scoreboard

(g) Esports

(h) Other

##### JOINT VENTURES

* 1. Does the activity involve a joint venture or partnership with a for-profit organization or an individual?

Yes No

* 1. If yes, please attach a copy of the joint venture agreement.

##### HEALTH CLUB ACTIVITES

* 1. Does USM permit members of the public to use its physical therapy and physical fitness facilities, including gymnasiums, swimming pools, fields, etc.?

Yes No

* 1. If yes, are individuals charged fees substantially lower than rates charged by commercial fitness centers in the same area?

Yes No

* 1. Are fees set at rates to allow access to the facility and usage by a broad section of the general public?

Yes No

**PLEASE CONTINUE TO PART 2: HEALTHCARE ACTIVITIES,**

**IF NOT APPLICABLE, PLEASE CONTINUE TO PART 3 OF THE QUESTIONNAIRE**

### PART 2: HEALTHCARE ACTIVITIES

##### CLINIC SERVICES

* 1. Laboratory and Diagnostic Testing
     1. Does the Clinic provide laboratory, radiology, or diagnostic testing services to public patients (non USM students, staff, or faculty?

Yes No

* + 1. If yes, do the testing services contribute importantly to the teaching and educational functions of the hospital or medical school?

Yes No

* + 1. Are the testing services provided to public patients on a regular basis?

Yes No

* 1. Pharmacy Sales – Drugs, Supplies and Durable Medical Equipment
     1. Does the clinic provide pharmaceutical products, supplies, or medical equipment to public patients, other than students, faculty, and University employees?

Yes No

* + 1. If yes, are the pharmacy activities provided to non-hospital patients on a regular basis?

Yes No

* 1. Patient and Support Provided to Other Institutions
     1. Does the organization provide patient care or support services to unrelated (taxable or nontaxable) entities? Or any entity outside USM?

Yes No

* + 1. Are the patients (as opposed to the unrelated entity) the primary beneficiaries of the services? Who receives the services?

Yes No

* + 1. Are the services provided at a fee that is substantially below cost?

Yes No

* + 1. Is the activity performed primarily for the convenience of USM students, faculty, and staff?

Yes No

* 1. Gift and Thrift Shops
     1. Does the activity involve selling merchandise substantially all of which has been donated to the department?

Yes No

* + 1. Is the activity conducted by volunteers?

Yes No

* + 1. Is the activity performed primarily for the convenience of USM?

Yes No

**OVERALL DETERMINATION: REPORT EXEMPT**

**Briefly explain the reason(s) why the activity should be reported or exempt from unrelated business activities.**

**PLEASE CONTINUE TO PART 3: SALES TAX QUESTIONNAIRE**

### PART 3: SALES TAX QUESTIONNAIRE

Although USM is entitled to exemption from tax on its purchases, an exempt organization making sales of tangible personal property or services has the same responsibility as other vendors, even though sales are made to members, students, employees, or other persons directly associated with the organization. Title 27-65-1 MS Code Annotated. For example, when USM operates a store front and has a website to sell t-shirts. Are you collecting sales tax from customers on your sales of tangible property, including the sale of digital products?

Yes No

1. Are you selling digital products?

Yes No

1. If yes, what are the digital products being sold?
2. In which states are you selling digital products?
3. Who are your customers? Students

Faculty/ Staff

General Public

Educational Institutions

Federal or State/Local Government

Other (explain)

1. Do you advertise your sales of products or services?

Yes No

|  |  |  |
| --- | --- | --- |
| 6. If yes, who is your target audience? |  | Students  Faculty/ Staff  General Public  Educational Institutions  Other, (explain) |
| 7. How do you advertise? |  | TV  Radio  Print Media (magazines, journals, |
|  |  | newspapers) |

**Revised by Tax Compliance 04/2025**