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PRODUCT & SERVICE GUIDE

AICPA Submits Recommendations on Unrelated Business Taxable Income for Tax-Exempt Organizations

The American Institute of CPAs (AICPA) has issued recommendations to the Department of the Treasury and the Internal Revenue Service (IRS) to address the need for guidance on new section 512(a)(6) of the Tax Cuts and Jobs Act (TCJA) regarding unrelated bu

Sep. 15, 2020

The [American Institute of CPAs](#) (AICPA) has issued recommendations to the Department of the Treasury and the Internal Revenue Service (IRS) to address the need for guidance on new section 512(a)(6) of the Tax Cuts and Jobs Act (TCJA) regarding unrelated business taxable income (UBTI).

Organizations described in sections 401(a) and 501(c) are exempt from federal income tax. However, a tax on UBTI of organizations described in section 511(a)(2) and trusts described in section 511(b)(2) is imposed by section 511(a)(1). Prior to the enactment of the TCJA, tax-exempt organizations could aggregate the income and losses from all unrelated, regularly carried on, active trades or businesses to calculate UBTI. The TCJA created new section 512(a)(6), which requires the separate computation of UBTI for each trade or business of a tax-exempt organization subject to the unrelated business income tax (UBIT).

Recommendations provided by the AICPA include the following issues:

- I. Definition of Trades or Businesses for Organizations with *De Minimis* Amounts of Unrelated Business Income
- II. Separate Trades or Businesses
 - 1. 2-Digit NAICS Codes
 - 2. Social Clubs
- III. Activities in the Nature of Investments
 - 1. Qualifying Partnership Interests
 - 2. Investment Expenditures Related to Investment Activities for Trusts
- IV. Transition Rule and Net Operating Losses
- V. Net Operating Losses and Unrelated Business Taxable Income
- VI. Charitable Contributions Taken Against Unrelated Business Taxable Income

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