By Kaylyn Varnum, CPA; Michele Wales, CPA; & Mike Batts, CPA

....990-T Exempt Organization Business Income (and proxy tax under section 6033(e)) A CHICK DOX # B Exerret under section 438M n or suite no. If a P.O. box, see in 220(a) 408A City or foreit, state or province, country, and ZIP or foreign postal or Check if Sing orly to claim Credit from Form 8941 | Refund shown on FC 530(a) D Em H Check if fling only to claim Credit from Form 8941 Refund shown on Form 2430

Check if a Mathematical Alexandra and a State of the Check if a Mathematical Alexandra and a State of the Check if a Mathematical Alexandra and a State of the Check if a Mathematical Alexandra and a State of the Check if a Mathematical Alexandra and a Mat Check if a 501 (c/3) organization filing a consolidated return with a 501(c/2) little tolding corporate than resolution of ottoriod see A from 500. To During the tax year, was the corporation a subsidiary in an affiliated group or a parent-If "Yes," enter the name and identifying number of the parent corporation Part Total Unrelated Business Taxable Income Total of unrelated business taxable income computed from all unrelated trades or businesses (see instru Add lines 1 and 2 Charitable contributions (see instructions for limitation rules) Total unrelated business taxable income before net operating losses. Subtract line 4 try Deduction for net operating loss. See instructions Description for net operating loss, one instructions.

Total of unrelated business taxable income before specific deduction and section states. The filters are filters from the Subtract line 6 from line 5 Specific deduction (generally \$1,000, but see instructions for exceptions). Trusts, Section 199A deduction. See instructions Total deductions. Add lines 8 and 9 Unrelated business taxable income. Subtract line 10 from line 7, lt / Part II Tax Computation Organizations taxable as corporations. Multiply Part I, line 11, IV Trusts taxable at trust rates. See instructions for tax composition for tax compositions for tax compositions.



Amount from Form 4255, Part I , line 3, column (q) Other tax amounts. See instructions native minimum tax

encompliant facility income. See instrur les 3 through 6 to line 1 or 2, which porations attach Form

> **Batts Morrison** Wales & Lee

CPAs for Nonprofits

IRS Issues Final Regulations Regarding Unrelated Business Income "Silo" Rules

By Kaylyn Varnum, CPA; Michele Wales, CPA; & Mike Batts, CPA

January 7, 2021

On November 19, 2020, the IRS issued final Regulations related to Section 512(a)(6) of the Internal Revenue Code.1 These final Regulations provide guidance regarding the unrelated business income "silo" rules that were created by the Tax Cuts and Jobs Act ("TCJA") in December of 2017.

These rules apply to the calculation of unrelated business income on an exempt organization's federal income tax return, Form 990-T.

The new rules disallow the offsetting of net losses from one unrelated trade or business activity against net income from one or more separate unrelated trade or business activities. The IRS issued proposed Regulations in April 2020, which described how organizations should implement this "silo" requirement. After receiving commentary on the proposed Regulations, the IRS has now issued final Regulations.

While the final Regulations clarify a number of the technical topics presented in the proposed Regulations and also introduce several additional provisions, the guidance in the final Regulations is largely consistent with the guidance previously provided in the proposed Regulations. Importantly, as in the proposed Regulations, the final Regulations require that separate unrelated trade or business activities be identified based on the first two digits of the North American Industry Classification System ("NAICS") Codes.2 Additionally, the final Regulations allow most investment-type activities (including small ownership interests in passthrough entities and debt-financed income) to be treated as a single unrelated trade or business activity - an approach generally followed in the proposed Regulations.

We recommend that organizations that file an annual Form 990-T and that may have multiple unrelated trade or business activities consider the potential impact of the final Regulations with the organization's tax counsel.

For clients of BMWL that have engaged us to prepare your organization's Form 990-T, we will be addressing the application of these Regulations as part of our service to you.

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¹ Source: https://www.irs.gov/pub/irs-drop/td-9933.pdf

² Source: https://www.naics.com/search/