



TaxNewsFlash

Exempt Organizations

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Regulations pending OIRA review: UBTI separately computed for each trade or business activity

OMB's Office of Information and Regulatory Affairs (OIRA) has received for review from the U.S. Treasury Department proposed regulations concerning how unrelated business taxable income (UBTI) within the meaning of section 512 is to be calculated under section 512(a)(6) in the case of an entity described in section 511(a)(2) or (b)(2) with more than one unrelated trade or business.

Treasury regulations that are identified as "major" regulations are subject to review by OMB's OIRA before being issued, pursuant to Executive Order 13771. According to OIRA, the regulations received for review on February 3, 2020, are identified as:

- **1545-BO79**: *Unrelated business taxable income separately computed for each trade or business activity*

Another description of these proposed regulations on the OIRA website is:

This document will address how unrelated business taxable income within the meaning of section 512 should be calculated under section 512(a)(6) in the case of an entity described in section 511(a)(2) or (b)(2) with more than one unrelated trade or business.

Background

Under the 2017 tax law (Pub. L. No. 115-97, the law that is often referred to as the "Tax Cuts and Jobs Act" (TCJA)), a tax-exempt organization is required to calculate its UBTI separately for each unrelated trade or business. Any loss derived from one unrelated trade or business may not be used to offset income from another unrelated trade or business, and net operating loss (NOL) deductions are allowed only with respect to the trade or business from which the loss arose.

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