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TaxNewsFlash

Exempt Organizations

No. 2020-34
April 17, 2020

Proposed regulations, separately computed UBTI; OIRA review completed

OMB's Office of Information and Regulatory Affairs (OIRA) has completed its review of proposed regulations from the U.S. Treasury Department concerning unrelated business taxable income (UBTI) that is to be separately computed for each trade or business activity.

The 2017 tax law (Pub. L. No. 115-97)—the law that is often referred to as the "Tax Cuts and Jobs Act" (TCJA)—included a measure providing that a tax-exempt organization is required to calculate separately the net UBTI of 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 NOL deductions are allowed only with respect to the trade or business from which the loss arose.

OIRA reported its review of the proposed regulations was completed on April 16, 2020. The proposed regulations were received for OIRA review only two days earlier, on April 14, 2020 (observed to be a quick review by OIRA).

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

These regulations are further described on the OIRA website as follows:

> *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.*

Treasury regulations that are identified as "major" regulations are subject to review by OMB's OIRA before being issued, pursuant to Executive Order 13771. Now that OIRA review has been completed, Treasury and the IRS can be expected to release these proposed regulations for publication in the Federal Register—the exact date of publication not being known.

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