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TaxNewsFlash

Exempt Organizations

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Proposed regulations: Separately computed UBTI (text of regulations)

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-106864-18) concerning exempt organizations subject to the unrelated business income tax under section 511.

The 2017 tax law (Pub. L. No. 115-97) that is often referred to as the "Tax Cuts and Jobs Act" (TCJA), included provisions that affect exempt organizations with more than one unrelated trade or business and specifically concerning the calculation of unrelated business taxable income (UBTI). In general, 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.

The proposed regulations—released today as a 115-page document—

- Provide guidance on how an exempt organization subject to the unrelated business income tax under section 511 determines if it has more than one unrelated trade or business, and, if so, how the exempt organization calculates its unrelated business taxable income

- Clarify that the definition of "unrelated trade or business" applies to individual retirement accounts (IRAs)

- Provide that inclusions of subpart F income and global intangible low-taxed income (GILTI) are treated in the same manner as dividends for purposes of section 512

Read the **proposed regulations** [PDF 600 KB]

The purpose of this report is to provide text of these just-released proposed regulations. A more detailed discussion will be provided in a future report from KPMG.

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