



# TaxNewsFlash

## Exempt Organizations

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## Final regulations: Separately computed UBTI (text of regulations)

The IRS today posted on its website a version of final regulations (T.D. 9933) 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 [final regulations](#) [PDF 497 KB] (135 pages):

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

### **KPMG observation**

The final regulations provide little transition time for organizations to evaluate the final regulations and to design and implement accounting methods and systems to capture revenue and expenses, including allocations among unrelated trades or businesses. The final regulations are effective the first

tax year beginning after publication in the Federal Register, which for calendar year organizations, is January 1.

### **Version of final regulations posted on IRS website**

The version of the final regulations released by the IRS today includes the following statement:

This document has been submitted to the Office of the Federal Register (OFR) for publication and will be pending placement on public display at the OFR and publication in the Federal Register. The version of the final rule released today may vary slightly from the published document if minor editorial changes are made during the OFR review process. The document published in the Federal Register will be the official document.

The purpose of this report is to provide text of the final regulations as released by the IRS.

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