

Tax and Compliance Frequently Asked Questions (FAQs)

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Sales Tax Questions

1. What is required for my department to collect sales taxes?

You must contact the Tax Administration prior to collecting sales taxes. All locations must be registered with the Florida Department of Revenue. Tax Administration will assist your department in coordinating this registration.

2. How are sales taxes remitted to the Department of Revenue?

In January or February each year, Tax Administration will provide a spreadsheet to registered departments for use in reporting the monthly sales tax numbers.

Departments should complete the sales tax spreadsheet and e-mail it to Tax CTL-Tax@fsu.edu by the 10th of the month. Prompt submission of your spreadsheet is imperative because a late spreadsheet from one department may result in penalty and interest assessments to all the departments if the consolidated sales tax return is not submitted by the due date.

3. How often does the Department of Revenue perform sales tax audits?

The timing of DOR sales tax audits is unpredictable, but they occur approximately every five years. The scope of the audit covers a 3-year time period, and it is essential that departments maintain adequate records and documentation for the amounts reported as taxable and exempt sales and taxes collected and remitted. The DOR auditors will visit each registered sales tax location to review departmental records.

4. How do I receive sales tax-related training?

Contact [Tax Administration](#) to arrange a training session for your department. Please remember to contact Tax Administration whenever there is turnover of employees with sales tax collection or recording responsibilities.

5. What types of purchases are eligible for the sales tax exemption?

The university's Consumer Certificate of Exemption is only valid for purchases made and paid for directly by the university. P-Card and T-Card purchases are eligible for this exemption as well. However, if an employee uses a personal credit or debit card to pay a hotel bill or make

another kind of business purchase on behalf of the university, sales tax is due and payable on that transaction.

6. Are student organizations and club bank accounts exempt from sales taxes?

No. The university's sales tax exemption does not extend to purchases from student organizations' club bank accounts.

7. Which states accept the university's sales tax exemption status?

Currently, the university is only exempt from sales tax on purchases made in the state of Florida. Purchases that are made and delivered in other states, including P-Card or T-Card transactions, are subject to the applicable sales tax of that state.

Unrelated Business Income Tax (UBIT) Questions

1. What criteria must activities meet to be considered unrelated business income?

An activity may be considered an unrelated trade or business if its operations meet ALL the criteria listed below:

- **Trade or Business**
 - The term "trade or business" generally includes any activity carried on for the production of income from selling goods or performing services. A trade or business activity is one in which a profit is expected to be made. However, when an activity that is carried on for a profit incurs a loss, no part of the trade or business is excluded from the for-profit classification merely because its current operations do not result in a profit in a particular year. In addition, an activity does not lose its identity as a trade or business when it is carried on within a larger complex of other endeavors which may be related to the exempt purposes of the university.
- **Regularly Carried On**
 - The trade or business must also be considered "regularly carried on". This test considers the frequency, continuity of operations, and the manner in which the activities are conducted. Comparisons of the university activity must be made with similar commercial activities to arrive at a determination whether the activity may be taxable.
- **Not Substantially Related to Exempt Purposes**
 - A regularly conducted trade or business is subject to tax if it is also not substantially related to the exercise or performance of the exempt functions of the university. The university's need for the income from the activity to further its exempt activities does **not change the taxable nature of the income produced from the unrelated activity.**

2. What types of activities are generally INCLUDED in unrelated business income taxes (UBIT)?

Unrelated business income can be generated from a large variety of university activities. As a general rule, providing goods or services to the public (alumni are included in this category) is considered a taxable activity. Other examples of activities that would most likely generate UBIT are:

- Most forms of advertising that generate revenue for the university
- Rental or sales of mailing lists
- Routine analytical or testing services to non-university users
- Travel tours for alumni or tour purposes are not an authentic educational activity
- Renting equipment to non-university personnel
- Excess computer time sold to an outside company
- Online stores linked to university websites
- Printing or audio-visual sales and services to non-university users
- Parking revenues generated from general public attendance at a non-university sponsored event

In addition to the activity itself, consideration must be given to where the activity is conducted. If any portion of a property, whose construction was financed with tax-exempt bonds, is used to conduct unrelated business activities, the bond financing could lose its tax-exempt status. The percentage of unrelated activity taking place on the property must be monitored to ensure the overall use of the facility by exempt activities is sufficient to prevent challenges to the tax-exempt status of the property's financing.

3. What types of activities are generally EXCLUDED from UBIT?

There are specific activities identified in the federal tax law that are exempted from unrelated business income tax, even though they may otherwise have the characteristics of an unrelated trade or business:

- **Real Property Rents**
 - Rent collected from outside entities is considered passive and not subject to UBIT. However, the exception may be lost if personal services or the use of equipment are included in the rental agreement.
- **Income from Research Activities**

- In general, revenue received from research activities is excluded from unrelated business income taxes. Certain situations may require further analysis to determine if they fit the research exception. For example, ordinary testing and inspection of products or materials is normally not exempt from UBIT.
- **Member Convenience Activities**
 - An unrelated activity conducted by the university for the benefit of its members (students, faculty, and staff) is not subject to tax unless the income is generated from sales to non-members. In this case, only the non-member-generated income is taxable.
- **Dividends, Interest, Annuities, and Royalties**
 - These sources of income are considered passive and are generally excluded from UBIT. However, consideration must be given to the investment generating the income before a determination to exclude from UBIT. Investments in controlled organizations, partnerships, "S" Corporations, etc., will generally result in UBIT.

4. How are the university's unrelated business income taxes reported to the IRS?

Once a year, Tax & Compliance distributes an electronic survey to all auxiliary and athletic funds budget managers requesting information about the previous fiscal year's revenues. This survey requires budget managers to categorize their revenues by the following sources: students, faculty/staff, university departments, foundations, state government, general public, and other. Accordingly, these departments must have a means of classifying and documenting these sources of sales revenue properly.

Tax & Compliance reviews each survey to determine whether any potentially unrelated revenues were earned during the previous fiscal year. Departments that are found to have the potential for unrelated business revenue will receive follow-up contact from Tax & Compliance to further assess the details related to any unrelated business revenue.

5. Who should I contact with other questions about UBIT?

Tax Administration is available to help you with other, specific questions you may have regarding unrelated business income taxes.