

Unrelated Business Income (UBI) - Definition

CAC is a tax-exempt social club, 501(c)(7). To maintain our status as tax-exempt, we must report our UBI to the IRS with our tax returns. CAC must keep UBI revenue under specified percentages, or our tax-exempt status could be in jeopardy. We must have backup documentation for submitted UBI numbers.

Our total UBI must be at or under 35% of *gross* revenue. Within that 35%, a sub-set of UBI for accommodations, meals, and services must be at or under 15% of *gross* revenue.

From the tax code on Social and Recreational Clubs 501(c)(7) –“If an organization has outside income that is more than these limits, all the facts and circumstances will be taken into account in determining whether the organization qualifies for exempt status.”

Percentage	Items in UBI
35% Total	Apartment Rent
	CAC Membership entry fees
	Interest on investments – bank interest, for example
15% Sub-set	Accommodations, meals, and services provided to non-members. If non-member “pays,” then revenue is UBI.

For member events and private accommodations, either member or non-member, it is “who pays” that determines the UBI status of the revenue. If non-member pays, then income is UBI.

UBI Record Keeping

To verify that CAC’s Unrelated Business Income (UBI) stays within the safe harbor of 35% and 15% of gross income, records must be maintained.

Since our hosts are the primary recorders of information, the forms for host reporting have been designed to insure that appropriate records are available.

Donations to CAC or to the lodges are not UBI, even if from non-members. *Gross* revenue must be reported – not just net (revenue minus expenses).