



PP&Co Action Alert

Proposed Regs Will Change How Clubs Report Unrelated Business Income (UBI)

The IRS and Treasury Department have finally issued proposed regulations under the 2018 Tax Cuts and Jobs Act (TCJA). These regulations will change the way that Clubs report unrelated business income (UBI) and allocate expenses against UBI. The silo rules will require Clubs to separately report different sources of UBI and separately allocate only direct and indirect expenses associated with the generation of the UBI. Silos will be determined by NAICS codes. For example, golf tournaments will be reported separately under NAICS code 71 and banquet events under code 72. We have reproduced IR 2020-78 below. The PP&Co Club and Hospitality team will review these regulations and provide future updates on how to interpret and comply with these proposed regulations.

IRS, Treasury issue guidance for applying UBTI "silo" rules for tax-exempt organizations by identifying separate trades or businesses

IR-2020-78, April 23, 2020

WASHINGTON — The Treasury Department and Internal Revenue Service today issued [proposed regulations](#) under the Tax Cuts and Jobs Act (TCJA) that provide guidance for tax-exempt organizations that are subject to the unrelated business income tax with more than one unrelated trade or business on how to calculate their unrelated business taxable income (UBTI).

The [proposed regulations](#) issued today provide guidance on identifying separate trades or businesses, including investment activities, as well as certain other amounts included in UBTI.

Changes under the TCJA require tax-exempt organizations subject to the UBTI tax to compute UBTI, including any NOL deduction, separately for each trade or business (referred to as a "silo").

Under prior law, UBTI was the gross income of all unrelated trades or businesses less the allowed deductions from all unrelated trades or businesses. Starting in tax-year 2018 (tax years beginning after December 31, 2017), the loss from one trade or business may not offset the income from another, separate trade or business.

Updates on the implementation of the TCJA can be found on the [Tax Reform](#) page of IRS.gov.

Have questions or need help? We're here for you. Contact us at info@ppandco.com or (408)287-7911 for assistance. For more information and updates, check out our [COVID-19 Resources & Updates](#) webpage.

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