

County Fair and Agricultural Society Unrelated Business Income Tax Fact Sheet 1

Specific income earned by county fairs and agricultural societies are subject to Unrelated Business Income Tax (UBIT).

Unrelated Business Income and UBIT

Unrelated business income (UBI) is any income from your trade or business that is regularly carried on and that is not substantially related to your charitable mission. UBIT applies to income that a tax-exempt organization makes from activities that are not related to its normal business activity.

Activities Subject to UBIT

To determine if an activity is subject to UBIT, the activity must be:

- A trade or business that is carried on to produce income from the sale of goods or performance of services
- Regularly carried on. Generally, activities are considered regularly carried on if they are conducted in a manner similar to comparable commercial activities of nonexempt organizations, including seasonal activities.
- Not substantially related to the accomplishment of the organization's exempt purpose

County Fair or Agricultural Societies Income Subject to UBIT

Income from these activities is subject to UBIT.

Off-Season Storage for Boats and Vehicles

Storage income for boats, cars, RVs, and other vehicles during the off-season is unrelated business income. Off-season is when the fair is not in session. The activity is considered regularly carried on because it is done during the season when for-profit storage companies also provide winter storage.

RV or Campsite Rentals

Income from renting RVs or campsites is subject to UBIT if the rental is not related to the organization's business purposes.

For example, non-fair and non-mission RVs or campsites are subject to UBIT if RVs or campsites are rented to individuals who are:

- Attending concerts and festivals located in the area or on the fairgrounds
- Camping for recreation

If the rental is related to the organization's business purposes, then it is not subject to UBIT. Examples include:

- Renting to exhibitors during the fair because it is related to the organization's purpose of operating the fair
- Renting for various agricultural-related events held at the fairgrounds throughout the summer because it is related to the organization's purpose of providing agricultural education

Real Estate Rentals

Rental income from real estate may be subject to UBIT depending on:

- The type of event
- Whether or not there is a debt on the property
- Whether or not services were provided

Types of Events

Events not related to the organization's business purposes are subject to UBIT. Examples include auctions, weddings, parties, banquets, agricultural or fair-related events, and more.

Debt on the Property

If there is a debt on the property that's being rented, the income is subject to UBIT. For example, the organization has a debt on the property and rents out their facilities for birthday parties and other social events.

No Debt on the Property and No Services Provided

If there is no debt on the property and the organization does not provide services, the income is not subject to UBIT.

For example, the organization rents out their facilities located on the fairgrounds for weddings and other social events. There is no debt on the property and there are no services provided. The fee is strictly for the use of the building.

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No Debt on the Property and Services Are Provided

If there is no debt on the property and the organization provides services, the income is subject to UBIT.

Services may include cleaning the space afterwards, providing staff such as bartenders, party planners, or security, or providing food or beverages. Here are two examples:

- The organization provides setup and cleanup for all banquets or parties held at their facility, which is considered providing a service to the renter
- The organization holds a liquor license and provides a bartender for all weddings that choose to serve alcohol

Personal Property Rentals

Rental income from personal property, such as chairs, tables, bleachers, and other equipment, may be subject to UBIT.

If the rental is not related to the organization's mission or business purposes, it is subject to UBIT. For example, renting chairs and tables for a wedding in addition to the facility rental fee is subject to UBIT.

If the rental is related to the organization's mission or business purposes, it is not subject to UBIT. For example, renting chairs and tables to the local 4-H group for their monthly meeting is not unrelated income because it is related to the organization's charitable mission.

Returns and Due Date

If your organization is tax-exempt and has \$1,000 or more of gross income from an unrelated business activity, you must file and pay UBIT.

Forms

You must file two forms:

Minnesota Form M4NP, *Unrelated Business Income Tax Return*

IRS Form 990-T, *Exempt Organization Business Income Tax Return*

Filing Due Date

The due date to file state Form M4NP and federal Form 990-T is the 15th day of the fifth month after the end of the tax year.

For example, if your tax year ended Dec. 31, 2023, the tax returns are due May 15, 2024.

Automatic Filing Extension

All organizations are granted an automatic seven-month extension to file Form M4NP. You are not required to submit a form to us to receive a filing extension.

Note: This is a filing extension only, not a payment extension. Any tax not paid in full by the regular due date is subject to penalties and interest.

Questions?

If you need more information about Minnesota's UBIT, visit our website www.revenue.state.mn.us or call 651-297-5199.

Legal references

- Minnesota Statutes 290.05, Exempt Individuals, Organizations, Estates, Trusts
- Minnesota Statutes 290.06, Rates of Tax; Credit