

400.1 Advertising

The University sells advertising in multiple ways, including commercial ads in the student newspaper, professional journals, and athletic programs, and sponsorship agreements for using and displaying the company's product. As a general rule, advertising income is UBTI. Advertising is given a fairly broad definition as slogans, trademarks, logos, and other information similar to listings in professional journals, newspapers, and the yellow pages. Income from ads on an organization's facility wall space was also held to be UBTI from advertising.

Exception:

- An exempt university provides facilities, instruction, and faculty supervision for the student-operated campus newspaper. The newspaper also contains paid advertising, which is solicited, sold and published by students. There is no UBTI as this advertising contributes importantly to the university's educational program through student training.

However, just because students are involved, the activity is not automatically considered exempt from UBTI. The deciding factor lies with the overall purpose of the program. For example, a university acquires a radio station that serves as a laboratory for training students in the radio industry. The radio station also provides a source of income to the school, serves as a medium for advertising the university, and serves as a medium for adult education. If the greatest portion of time is devoted to the activities conducted by regularly constituted commercial radio stations and not student training, the advertising activity will be deemed taxable.

See 400.9 Qualified Sponsorship Payments for additional guidance