



EXCERPTS OF RECENT MEDIA COVERAGE

# NONPROFIT AND EDUCATION PRACTICE

## A SAMPLING OF BDO THOUGHT LEADERSHIP IN THE MEDIA FOR Q3 2014

### ► THE NONPROFIT TIMES

#### AMERICA GIVES MORE ACT TARGETS NONPROFIT DEDUCTIONS

By Patrick Sullivan

The U.S. House of Representatives is likely to debate this week a legislative package concerning IRA distributions to charity, food donations, deduction filing, conservation easement and foundation excise taxes. H.R. 4719, "America Gives More Act of 2014," was reported out of the House Committee on Ways and Means...

The fourth provision would allow taxpayers to claim deductions until the filing deadline of April 15 for the previous year. **Laura**



**Kalick, a tax partner with accounting firm BDO's Nonprofit and Education practice,** based in Bethesda, Md., said while her clients are feeling positive about the extension, they said

it might cause headaches with receipting. But, the positives outweigh the negatives. "We're thinking at a minimum, people will make contributions earlier in the year and maybe even increase their total," she said. This will also be made retroactive to December 31, 2013...

Kalick believes the House could debate and vote on the package as early as tomorrow, and expects the bill to pass both the House and the Senate. "The conjecture has been, the 'Do Nothing Congress' would like to have something positive to go back to voters with, and this is really perfect for them to take back," she said.

### ► CCH TAX EXEMPT ADVISOR

#### NET OPERATING LOSS CARRYFORWARDS AND OTHER UBI ISSUES: IS YOUR ORGANIZATION AT RISK?



By **Mike Sorrells**

When the IRS recently completed its College and University Compliance Project (CUCP), the findings led to audits of 34 colleges and universities. The end result was disallowance of some \$170 million in losses and net operating losses (NOLs) due to lack of profit motive, improper expense allocations and a variety of errors related to computation, substantiation and classification of unrelated activities.



For 100 years, BDO has provided services to the nonprofit community. Through decades of working in this sector, we have developed a significant capability and fluency in the general and specific business issues that may face these organizations. With more than 2,000 clients in the nonprofit sector, BDO's team of professionals offers the hands-on experience and technical skill to serve the distinctive needs of our nonprofit clients – and help them fulfill their missions. We supplement our technical approach by analyzing and advising our clients on the many elements of running a successful nonprofit organization.

In addition, BDO's Institute for Nonprofit Excellence (the Institute) has the skills and knowledge to provide high quality services and address the needs of the nation's nonprofit sector.

These eye-opening discoveries have already grabbed the attention of Congress, and the IRS continues to hone in on the issues associated with UBI. As you may know, the IRS began an initiative in 2013 that examines large samples of organizations whose Forms 990 share a specific characteristic: substantial gross unrelated business income (UBI) but zero taxable income over the past three years...

To be an “unrelated business,” an activity must be a trade or business that is regularly carried on and unrelated to exempt activities. For an activity to be a trade or business, it must operate with a profit motive. In the CUCP final report and other examinations, the IRS found many cases where there was no profit motive in a

particular activity because of a history of continual losses. As a result, the IRS disallowed these losses. If these disallowed losses are used to generate an NOL that is then used to offset income from a separate unrelated activity in an open year (generally the last three tax years), then that income is considered taxable...

With the IRS looking harder at unrelated business income, organizations should pay attention to exactly what they're reporting—or not reporting—on their Forms 990-T. A self-audit of your NOL and UBIT calculations may be a very timely project to help safeguard your assets, minimize your risks and facilitate compliance.

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