**Unrelated Business Activities: Sample Policy and Procedure[[1]](#footnote-1)**

# **Policy.**

It is the policy of [*PCA-HCCN name*] (“PCA-HCCN”) that any unrelated business or trade activities undertaken by PCA-HCCN shall not jeopardize PCA-HCCN’s tax exemption and shall comply with all applicable requirements of the Internal Revenue Code (“IRC”).

**Procedure.[[2]](#footnote-2)**

**1. Unrelated business or trade activities.** If PCA-HCCN generates income from any business activity unrelated to its tax-exempt purposes, PCA-HCCN will report such income and pay appropriate Unrelated Business Income Tax (“UBIT”), in accordance with applicable IRC regulations and related rules and requirements. Whether an activity is considered “unrelated business” will be determined on a case-by-case basis, taking into consideration, among other factors, whether the activity contributes importantly or significantly to PCA-HCCN’s tax-exempt purposes.

**2. Substantial Unrelated Business Income.** To the extent that PCA-HCCN generates substantial unrelated business income, PCA-HCCN will consider all available options and take all necessary steps to ensure that its tax-exemption is not jeopardized, including, but not limited to, establishing a separate organization to house such activities.

**This policy and procedure shall be periodically reviewed and updated consistent with the requirements and standards established by the Board of Directors and PCA-HCCN management, federal and state laws and regulations, and applicable accrediting and review organizations.**

**Responsible Parties.**

### Signature Date

### Executive Director

Signature Date

1. The Authors of these materials include attorneys at the law firm of Feldesman Tucker Leifer Fidell LLP. The sample documents offer general guidance based on federal law and regulations and do not necessarily apply to all PCA-HCCNs under all facts and circumstances. Further, these materials do not replace, and are not a substitute for, legal advice from qualified legal counsel. [↑](#footnote-ref-1)
2. Authors’ note: Using the following sample as a guide, PCA-HCCNs should tailor the procedure to reflect their own structures and operations. [↑](#footnote-ref-2)