

# Tax Planning & Compliance

An Overview of the Tax Function at  
the University

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An Update of Legislative/Regulatory  
Tax Initiatives

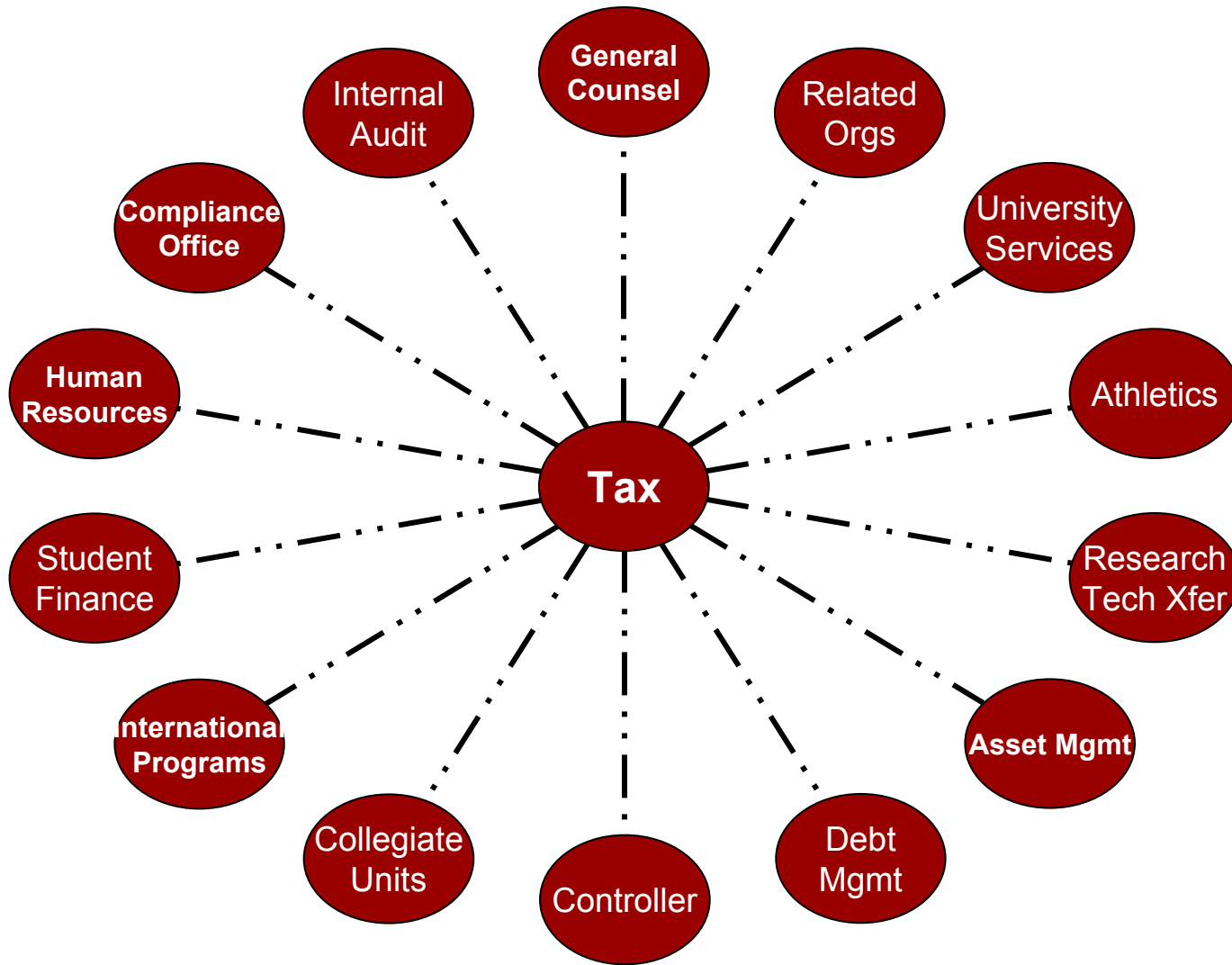
# Key Tax Administrators

## ◆ **Kelly D. Farmer, University Tax Director**

- CPA
- 25+ years experience in Tax
  - 12 Years in Higher Education at two institutions
  - Former Partner in a local CPA firm
  - Arthur Young & Co (Ernst & Young)
- Member of NACUBO Tax Council (11 years)
  - Former Chair (2004 – 2005)
- Member of Tax Peer Group
- Frequent Speaker on Higher Education Tax Issues Nationally

## ◆ **Heather Broneak, Tax Analyst**

- 20+ years of experience in Tax
  - Tax Consultant with Arthur Andersen, Deloitte Tax, LarsonAllen
  - Tax Attorney at Minnesota Department of Revenue
- Active in the Tax Law Section of the Minnesota State Bar
  - Currently serving as Treasurer
  - Will serve as Chair effective July 1, 2007



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**UNIVERSITY OF MINNESOTA**

# University Tax Matters

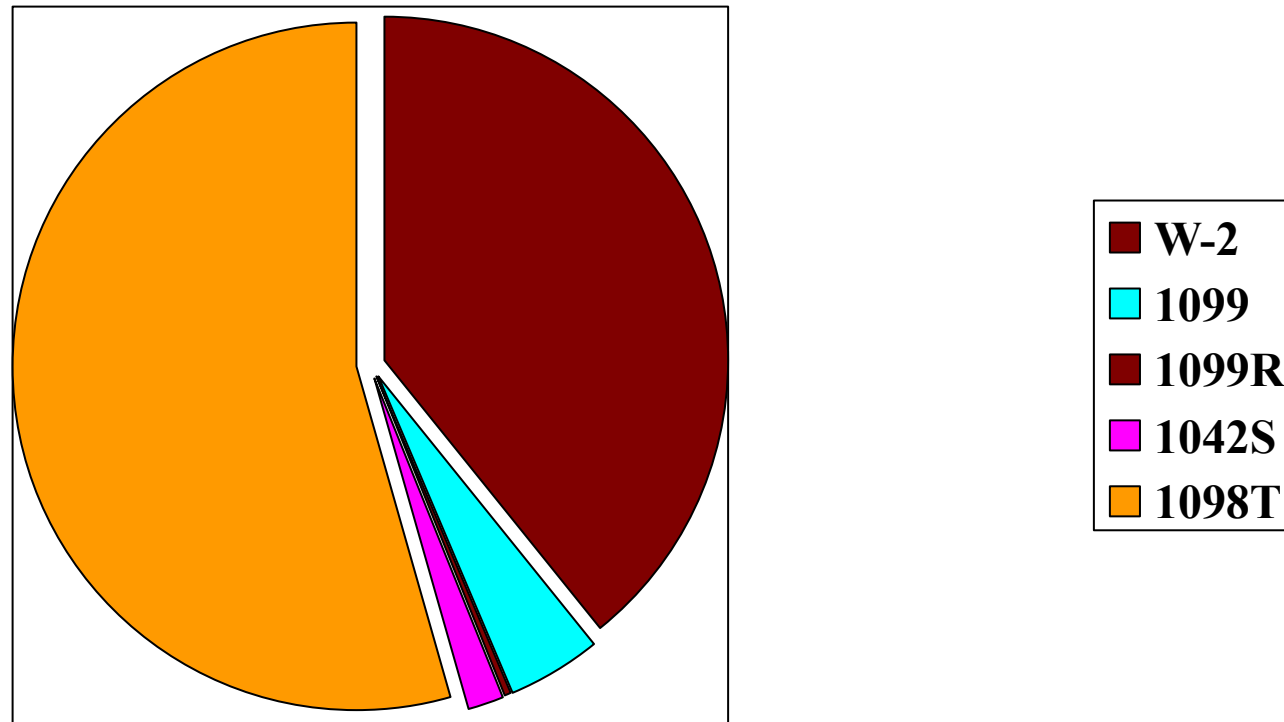
- ◆ Entity Tax Exemption
- ◆ Sales/Use/Excise taxes
- ◆ Unrelated Business Income Tax
- ◆ Tax-Exempt Debt
- ◆ Operating in a Foreign Country
- ◆ Pensions & Deferred Compensation
- ◆ Employment (Fringe Benefits, “Accountable Plan,” Compensation)
- ◆ Scholarships
- ◆ Nonresident Alien Rules
- ◆ Tax Reporting

# Key Numbers

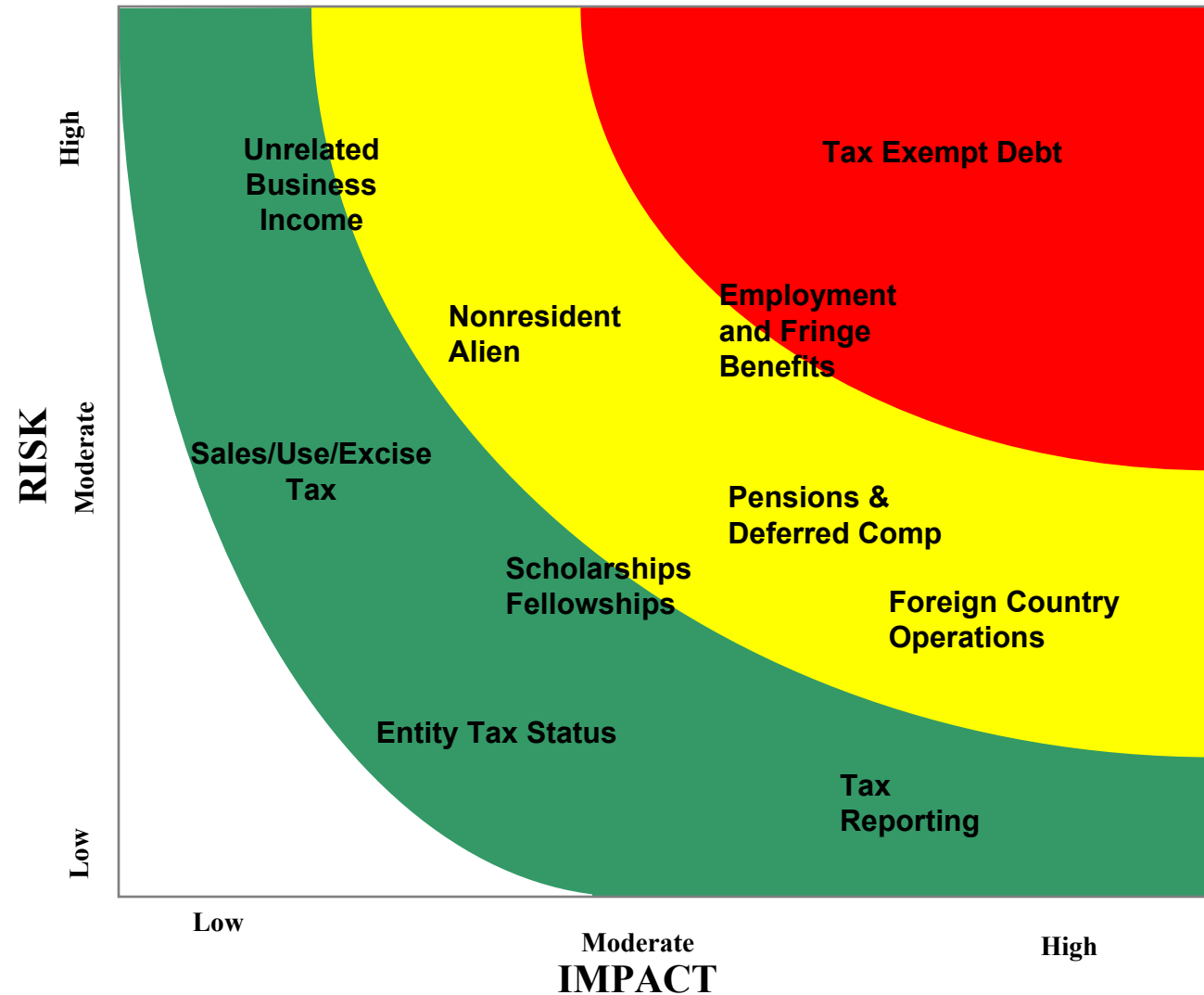
(Annual)

- ◆ \$378.6M Federal/State Withholding
- ◆ \$141.2M Pension Contributions
  - 6,200 FRP Participants
  - 5,100 ORP Participants
- ◆ \$42.2M Employee Expense Reimbursements
- ◆ \$28M Tax-exempt Interest paid to bondholders
- ◆ \$6.8M Total Unrelated Business Income (Spread over 35+Activities)

**Information Reporting**  
**126,000 Forms**  
**(Not Including 3rd Party Reporting)**



# Tax Risks/Impact Generally



# The Tax Environment

- ◆ Congressional Oversight
  - Recent Statutory Changes
    - 3% Withholding on ALL Payments for Goods & Services (2011) to Vendors (State Government)
    - Special Rules for Deferred Compensation
  - Congressional Initiatives
    - NCAA – Intercollegiate Athletics
    - Tax Exempt Debt/Endowments
    - Tuition Benefits for University Employees



# The Tax Environment, Cont

- ◆ Regulatory Oversight
  - Modification of Regulations/Rulings
    - Student/Medical Resident FICA
    - Guidance on Tenure Buyout Payments
    - Future Guidance on TE Debt Finance of Research Facilities
  - Coordinated Exam Procedure (CEP) Audits
  - Targeted Audits
    - UBI Activities at Colleges & Universities
    - TE Debt Matters & Record Retention
    - Nonresident Alien Tax Compliance
    - Compensation in 501(c)(3) Entities

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