

System-wide Policy: FI0335 - Tax Exempt Bonds	
Version: 1	Effective Date: 10/01/2017

## FI0335 – Tax Exempt Bonds

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### Objective:

To outline the authority and the responsibilities of The University of Tennessee with regard to appropriate use of University facilities and space financed by tax-exempt bonds.

### Policy:

#### Overview

Certain capital projects at The University of Tennessee are financed by the issuance of tax-exempt bonds.

The tax-exempt status of bonds is maintained by complying with applicable federal laws and regulations. The tax-exempt status of a bond continues through the duration of the life of the bond, but the status can be lost due to non-compliance.

Private business use of facilities financed with tax-exempt bonds must not exceed the limits imposed by federal tax law. Private business use may occur when a private party enters a business arrangement with the University which can result in that party making money or benefitting from the use of the bond-financed facility. When the University enters into contracts with private parties that involve conducting business in University

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buildings, such as contracts with food vendors or retail stores, these contracts should be subject to additional review as outlined in this policy.

## Policy

### **Use of University Facilities and Space Financed by Tax-Exempt Bonds**

The University has additional review for certain types of contracts to ensure that facilities, spaces, and projects financed with tax-exempt bonds are used in compliance with all laws and regulations applicable to tax-exempt bonds.

### **Types of Contracts Subject to Additional Review for Private Business Use**

- Contracts where the University is leasing space to a third-party for the third-party to conduct business;
- Contracts with third-parties to manage operations or provide services in a University owned property;
- Contracts with a sponsor for the conduct of applied research in a University owned facility. Contracts for basic research do not require additional review. “Basic research” means original investigation for the advancement of scientific knowledge not having a specific commercial object. For example, product testing supporting trade or business of a specific nongovernmental sponsor is NOT basic research.

## Oversight Procedure

The following entities will be responsible for oversight and compliance measures:

- Chief Business Officers
- Campus Contract Offices
- System Administration Contract Office
- Office of the General Counsel
- Controller’s Office

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If an individual or company seeks to occupy or fund applied research in space financed by tax-exempt bonds, the Chief Business Officer of the campus, institute, or unit will notify the Controller's Office to ensure that the contract does not result in a violation of federal rules and regulations regarding private business use of tax- exempt financed facilities. The Controller's Office will review the contract for private use and consult the Office of the General Counsel.

The Office of General Counsel will, if appropriate or necessary, refer the question to outside bond counsel. If the System Contract Office, the Campus Contract Office, the Chief Business Officer of the campus, institute, or unit, the Office of General Counsel, and the Controller's Office all approve of the use agreement, the agreement will not be referred for review to outside bond counsel.

### **Change of Use**

The Chief Business Officer of each campus, institute, or unit will report to the Controller's Office any change in a project or use of a facility that may implicate private business use. Upon receiving notice of such a change, the Controller's Office will perform a review of the change to determine if such change creates private business use.

### **Related Information:**

Internal Revenue Code Section 141

Federal Regulation Section 1.141-3

Code Section and Regulation Section can be found via the IRS website at <http://www.irs.gov/Tax-Professionals/Tax-Code,-Regulations-and-Official-Guidance>

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## PROCEDURES:

To view links to campus policies and procedures, click here:

<https://policy.tennessee.edu/campus-policies-procedures/>

## Contacts

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