



TAX & COMPLIANCE SERVICES

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INFORMATION REGARDING OSU RELATED FEDERAL TAXES

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Income Taxes

Oklahoma State University (OSU) is an integral part of the Oklahoma State System of Higher Education as defined in Section 1 of Article 13A of the Constitution of the State of Oklahoma. As such, OSU is not subject to federal income tax as a governmental unit under the doctrine of implied statutory immunity for activities related to its exempt purpose. Since OSU is exempt statutorily, it does not have to apply for and receive an exemption from tax (i.e., the administrative procedure whereby it would apply and receive a determination letter from the IRS as to its tax-exempt status). As a result of being exempt from income tax, except for tax on Unrelated Business Income (UBI) as noted below, OSU is not required to file a federal income tax return.

Unrelated Business Income Taxes

Although public colleges and universities are not subject to income tax relating to their exempt purpose, Internal Revenue Code (IRC) Section 511(a)(2) imposes an income tax on activities they are involved in if such activities generate taxable income that is unrelated to their exempt purpose. OSU is subject to the unrelated business income tax (UBIT) imposed by IRC section 511(a)(2)(B). As such, OSU is required to file a federal income tax return (990-T) on unrelated business income.

Tax-Deductible Charitable Contributions

Although contributions to OSU are eligible tax-deductible charitable contributions as defined under IRC 170(c)(1), its affiliated foundation, Oklahoma State University Foundation (OSUF), receives and administers all gifts on behalf of OSU. OSUF is an IRS recognized section 501(c)(3) public charity and is, therefore, eligible to receive tax-deductible contributions under IRC section 170(c)(2).

Payroll Taxes

OSU is not exempt from paying FICA (social security and Medicare) tax on employee wages, however, there is an exception for student (enrolled at least half-time) employees working part-time. Additional rules apply for student employee exemption, please contact payroll services for additional guidance.

Per IRC section 3306(c)(7), OSU, as a state entity, is immune (i.e., exempt) under the Constitution of the United States from the tax imposed by the Federal Unemployment Tax Act (FUTA).

Employees that are not U.S. Citizens have specific rules regarding federal taxes, please contact payroll services for additional guidance.

A handwritten signature in black ink, appearing to read 'Scott W. Tucker'.

Scott W. Tucker, CPA

Director - Tax and Compliance Services
Oklahoma State University

This information is intended to clarify and confirm OSU's federal tax status and classification as a state institution of higher education and resulting eligibility to receive tax deductible charitable contributions.