



## Unrelated Business Taxable Income(UBTI and 990-T)

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*Scarlet Oak Financial Services can't give tax advice and will always recommend that you speak with your accountant, CPA or tax advisor for specific questions concerning your tax situation. These are frequently asked questions about Unrelated Business Taxable Income(UBTI and 990-T) and how TD Ameritrade handles your investment accounts held under their custodianship. These are subject to change without notice.*

*If you need assistance finding tax help, we have a referral list of trusted tax professionals that our clients and we have worked with through the years. Please reach out to Faye at [fsykes@scarletoakfs.com](mailto:fsykes@scarletoakfs.com); she will be happy to send you a list of contacts.*

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## **What Is Schedule K-1?**

Schedule K-1 (IRS Form 1065) is a tax document issued for a partnership's investors, reporting each partner's share of the partnership's earnings, losses, deductions, and credits.

## **What Is Form 990-T?**

Form 990-T is used to report income generated in a tax-deferred account to the Internal Revenue Service (IRS). Form 990-T must be filed if the total positive amounts of Ordinary Gains, Capital Gains Subject to UBTI, and Line 20-V on all Schedule K-1s combined exceeds \$1,000 in a tax-deferred account. The capital gains portion is also subject to a debt ratio calculation (see below) that is supplied by the partnership but may not be included with the K1.

TD Ameritrade examines your Schedule K-1s to determine whether a Form 990-T is required, and files the form for you.

## **What is UBTI?**

Unrelated Business Taxable Income (UBTI) is income regularly generated by a tax-exempt entity through taxable activities. This income is not related to the main function of the entity but is needed to generate a small portion of income. UBTI is reported on Schedule K-1. When the combined UBTI from all of an investor's K-1s exceeds a total of \$1,000 in a tax-deferred account, a Form 990-T must be filed and there may be a current tax liability (the investor may owe tax) despite the account's tax-deferred status. (See below for payment information.)

## **What is the debt ratio?**

The debt ratio represents a partnership's interest in a property financed through debt. Debt ratio calculation is applied to capital gains, so only a portion of the capital gain/loss is attributable to UBTI. For example, with a capital gain of \$100, if the debt ratio is 50%, only \$50 of the \$100 is attributable to UBTI for tax purposes.

## Where can I view my K-1(s)?

For alternative investments (AIs), the K-1 should be provided by the partnership directly. If the partnership sends the AI K-1 directly to TD Ameritrade, we will forward a copy to the current address listed on your account. For publicly traded partnerships (PTPs), you can generally find this information on the partnership's website or from its vendor. Two common vendors that partnerships use to generate and issue the K1 forms are Tax Package Support and Partner Data Link.

- **Tax Package Support:** [taxpackagesupport.com](https://taxpackagesupport.com)
- **Partner Data Link:** [partnerdatalink.com](https://partnerdatalink.com)

Note: Clicking either of these links will take you to an independent website not affiliated with Scarlet Oak Financial Services.

Scarlet Oak Financial Services is not responsible for the content of such websites.

You will need to register and log in with your name and tax identification number, and your current share quantity, in order to view this form online.

## What if I haven't received my K-1(s) yet?

If you held shares of a partnership in your account at any time during the tax year and you have not yet received a K-1 form, you will need to contact the partnership directly to see why the form wasn't sent to you. Partnerships typically have their K-1s available before the federal tax-filing deadline, but this can vary depending on a particular partnership's fiscal year end. If the partnership does send the AI K-1 directly to TD Ameritrade, we will forward a copy to the current address listed on your account.

## What if I receive another K-1 later?

It's essential that we receive all applicable K-1s so we can determine your tax reporting and any possible tax liability. Please send any K-1s you receive to the TD Ameritrade Tax Services Department as soon as possible. You can fax or mail us a copy of your K-1(s), or scan your K-1(s) and attach it to a message you send us through your secure Message Center (log in to your account and go to Client Services > Message Center).

- **Mail:** TD Ameritrade, Attn: Tax Operations, 200 South 108th Avenue, Omaha NE 68154-2654
- **Fax:** 866-468-6268

## If there's tax liability, how do I pay it?

As custodian of your account, TD Ameritrade will prepare and make the payment to the IRS (through the Electronic Federal Tax Payment System [EFTPS], as IRS rules require) from your Individual Retirement Account (IRA) that held the partnership shares for the year. If payment is required, we will forward a completed 990-T form to you.

- If the funds are not available in your account, you can sell assets or make a contribution by the payment date. That date will be listed in the cover letter you'll receive with your Form 990-T.
- We'll let you know if there aren't enough funds in your account on the payment date to pay your tax liabilities. You will need to notify TD Ameritrade once funds are available in order to coordinate payment to the IRS. (See below for information about possible penalties and interest.)
- TD Ameritrade will not sell securities to make the 990-T payment unless you tell us to do so.
- TD Ameritrade will not make partial payments. We will still file the form by the deadline but will not make a payment to the IRS unless there are enough funds in the account to pay the full amount.
- The payment is a Non-Reportable transaction and will not be reported on a Form 1099-R.

## Why can't I pay this myself?

Under IRS regulations, TD Ameritrade, as custodian of your IRA, is responsible for submitting the payment from your account on your behalf. TD Ameritrade's name and address are used on the filing as well as the payment. Ex: TD Ameritrade Clearing Custodian Inc. FBO [Your Name].

## Is a payment considered a distribution?

No, the payment is not considered a distribution from your IRA. But if you deposit money to cover this payment, it would be considered a contribution to the IRA.

## How can I confirm that TD Ameritrade is filing the correct information?

TD Ameritrade will provide you with a copy of the completed Form 990-T that we are filing, with a window of time for you to review it. If you feel there is a discrepancy or error, please let us know by writing to our Tax Services department through your secure Message Center (login to your account at [www.advisorclient.com](http://www.advisorclient.com) and go to **Client Services > Message Center**). Please include the details, and any evidence that the reporting is incorrect. We'll review this information and make any corrections that are needed.

## Will TD Ameritrade take into account prior-year negative UBTI in the 990-T filing?

Yes, we will attempt to look back at previous years to identify negative UBTI (Net Operating Loss, or NOL), if the information is available, in our calculation of current 990-T tax liability. Negative UBTI is not

used in determining filing requirements (whether a form should be filed), only in determining whether there is tax liability.

## Could I have a tax filing without having a tax liability?

Yes. For determining a filing requirement (whether a 990-T must be filed), only the positive amounts are included in the calculation of gross UBTI. So any negative 20-V or capital loss amounts would not be netted against the positives. However, for tax liabilities (calculating whether you owe tax, and the amount owed), negative amounts are considered as well. These may offset the positives to the point where you owe no tax. TD Ameritrade will send you a 990-T showing zero tax due if this situation applies to you.

## Why can't I use my Social Security Number?

IRS instructions for Form 990-T say that "an IRA Trust never uses a Social Security Number or the trustee's EIN." An Employee Identification Number (EIN) must be assigned to the IRA before a filing can be made. This number separates the IRA from your own Social Security Number, which is used in your individual tax return, and will help the IRS separate your individual tax filings from the IRA's tax filings more easily. TD Ameritrade will request an EIN from the IRS on your behalf.

## Will I be charged a penalty(ies) and interest if my filing is made past the tax deadline?

TD Ameritrade will file an IRS Form 8868 to extend your filing deadline for the 990-T form. This will change the deadline from April 15 to October 15 of each tax year. We plan on filing with the IRS in September/October. Please be aware, though, that extending the time to file does not extend the tax payment deadline, and you may be liable for penalties and interest if a payment is late.

## What if I transferred my account to TD Ameritrade and need to make a 990-T payment?

You will need to notify TD Ameritrade once funds are available in order to coordinate payment to the IRS.

## Where can I learn more about the IRS regulations that govern this?

Where can I learn more about the IRS regulations that govern this? The IRS has provided additional guidance/clarification on how 990-T forms are to be interpreted and filed. The IRS publications that apply to K-1s, UBTI, 990-T, etc. can be accessed at [www.irs.gov](http://www.irs.gov):

- IRS Publication 598

- IRS Publication 541

TD Ameritrade and Scarlet Oak Financial Services does not provide tax advice. Clients should seek the advice of a tax planning professional with regard to their personal circumstances.

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***Do you have more questions?***

*[Check out Scarlet Oak's Tax Center.](#)*

***When was the last time you had a review?***

*A review will allow us to discuss any changes in your financial situation, review your investments and retirement plan, and answer any of your financial questions. If you would like to schedule a review at this time, please find a time that works best for you: [Click Here to Schedule with Faye.](#)*

***Contact Us***

*Scarlet Oak Financial Services*

*[800-871-1219](tel:800-871-1219) | [Website](#) | [1117 Perimeter Center West, Suite W-212, Atlanta, GA 30338](#)*

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