Taxes

Current

Operating Fees and State Appropriations, the General Operating Fund, along with the Designated Operating Fund form the basis for permanent budgets for academic and administrative units. Incremental changes in these funds are allocated in the annual budget cycle. Indirect cost recovery funds are allocated through the Research Cost Recovery (RCR) process.

ABB Approach

In order to provide funds for central administration, cross subsidies between units, and University initiatives, the University will establish taxes that direct a share of these revenues into a pool of funds that will be allocated centrally. In general, all forms of revenue need to be treated comparably and the system needs to avoid setting up unintended perverse incentives. Tax rates also need to be set to keep initial budgets in line with the baseline. In many cases the Institutional Overhead system will be considered to take the place of ABB taxes, and in other cases taxes are not appropriate because of restrictions on the form of revenue.

The initial tax rates established for ABB may be changed as the University evaluates the system in operation, although any change will have to be evaluated against the value of keeping these rates stable to facilitate long-range planning by the units.

ABB Principles

- Support, not determine, University missions and goals
- Provide incentive for positive behaviors, innovation and operational efficiencies
- Be transparent
- Be as simple as possible to understand, administer and implement
- Enable the administration to effectively lead the institution
- Clearly identify cross subsidization.
- Support “common good” services, programs and operations
- Facilitate planning
- Encourage optimal redirection of investments, even during financially distressed periods
- Recognize the importance of maintaining current funding levels or phasing-in funding reductions

Decision Statement

- Operating fees (net of waivers and return to aid) will be subject to a 30% tax rate
- Summer quarter fees will also be subject to a 30% tax
- Miscellaneous fees (a specific set of fees designated by OPB) transferred to Activity-Generating Units will be subject to a 30% tax
  - Miscellaneous fees held by administrative units will not be taxed
• All indirect cost recoveries will be taxed. The calculation will be based on the negotiated rate – that is, the F&A recovery actually received on the unit’s grants.
• The following will continue to be subject to the Institutional Overhead rate:
  o Auxiliary enterprises
  o Certificate and fee-based degrees in UWEO
  o Fee-based degrees external to UWEO
• In addition, program fees for off campus study will be subject to Institutional Overhead
• Bothell and Tacoma will pay Administrative Overhead payments on their revenues
• The following types of income will not be taxed:
  o Gifts for endowment, endowment payout, and expendable gifts
    ▪ Endowment already pays a tax of 100 basis points on payout and the interest on payments... is held centrally, and goes to support endowment management and advancement.
  o Direct research expenditures
  o Course and program fees
• The University Budget Committee will review taxes and overhead rates and policies on an ongoing basis to ensure appropriate parity and to avoid unintended incentives.

Rationale

• To the extent possible, revenues will be treated in an equivalent manner in terms of their distribution to unit responsible for the activity that generates the revenue. Part of that equivalent treatment is equivalent treatment in application of taxes or overhead.
• Consistent patterns of taxation also reflect the fact that these activities all need support from central services funded through these taxes.
• For instructional activity, Institutional Overhead will be applied to programs that stand apart from the core instructional activities of the schools and colleges. This also allows the University to apply a lower rate for off-campus programs that draw less on some central services like operations and maintenance of plant.