

Important Information: Your Unrelated Business Taxable Income (UBTI)

Is your investment income subject to Unrelated Business Taxable Income (UBTI)? As you know, income in a retirement account is generally exempt from taxes; but, if unrelated business taxable income (UBTI), or unrelated debt financed income (UDFI) generates investment income that is greater than \$1,000 from the combined sources in your retirement plan during the previous tax year, you're required to file an annual return using IRS Form 990-T and pay the associated taxes to the Internal Revenue Service (IRS). In some cases, state returns also may be required to be filed and taxes paid. If any tax is due, it is an expense of the retirement account and must be paid with funds from it.

Types of assets that generate taxable income include:

1. Limited Partnerships (LP)
2. Limited Liability Company (LLC) interests when acting as an operating company
3. Debt-Financed Real Estate

For LP or LLC investments, the amount of income subject to UBTI tax is generally reported on IRS Schedule K-1 (Form 1065), which should be provided to you by your investment's asset sponsor. If you haven't received a Schedule K-1 form from your asset sponsor, request a copy through the partnership or LLC investment services or tax department. They also should be able to help you with any questions you have concerning your Schedule K-1 and its implications for UBTI filing.

For debt-financed real estate investments held in your PENSICO account, you may need to consult a tax advisor to determine which portion of any income paid to your retirement account (e.g., rental income) may be UDFI.

If it is determined that your PENSICO account had \$1,000 or more in UBTI or UDFI for the previous tax year, you must provide the following to PENSICO:

1. Prepared IRS Form 990-T with the Employer Identification Number specific to the retirement account (see additional pages for more information).
2. Authorization for Tax Filing, attached. Complete, sign, detach and return to PENSICO.
3. Any applicable schedules.

Please send all of the documents requested above to PENSICO so that they are received by April 1¹. PENSICO will sign the tax form and provide it to the IRS along with the applicable tax payment, which will be paid with funds from your retirement account.

¹ Reasonable efforts will be made to process returns received after April 1.



Authorization for Tax Filing

Instructions: Please fill out, sign and return this form and IRS Form 990-T to PENSCO Trust Company so that it is received by April 1. The IRS deadline for filing Form 990-T is your tax filing deadline, plus extensions. Submit to PENSCO using one of the following methods:

<u>MAIL</u>	<u>FAX</u>	<u>UPLOAD ONLINE</u>
PENSCO Trust Company Attn: Regulatory Reporting P.O. BOX 173859 Denver, CO 80217-3859 (800) 962-4238	Documents can be faxed to our Regulatory Reporting department at 303-614-7060.	Upload documents and forms via https://www.pensco.com/contact-us/#upload

Participant Name: _____

Daytime Telephone Number: _____

PENSCO Account #: _____

I, the undersigned Account Holder (or my designee), have prepared the enclosed IRS Form 990-T, along with applicable schedules and state returns. I declare that I have examined the return including any accompanying schedules and statements. They are true, correct and complete to the best of my knowledge and belief. I hereby authorize PENSCO Trust Company (PENSCO) to sign and file the enclosed form(s) with the IRS/state agencies along with any tax payment I have calculated. I understand that PENSCO will not charge a tax filing fee for this service.

I am aware that as a federal tax, the UBTI/UDFI liability incurred by my retirement account cannot be deducted for tax purposes or be reimbursed as an expense to my retirement account. Therefore, I agree to ensure that there is sufficient cash in my account(s) to pay the UBTI/UDFI. I understand that any payments received by my account to cover the UBTI/UDFI will be considered a current year contribution. I hold PENSCO harmless for all liabilities associated with a late filing due to the timeliness of any necessary liquidation procedures. If I choose to have PENSCO apply for an EIN for my retirement account, I understand that PENSCO will apply for and receive an EIN on my behalf for my retirement account. A copy of the Form SS-4 you complete and forward to PENSCO will be kept on file. PENSCO will forward you a copy of the EIN confirmation letter from the IRS once it is received.

Participant Signature

Date



Additional Information & Reminders

Employer Identification Number (EIN): Each retirement account that files Form 990-T must use an account-specific Employer Identification Number (EIN). This is different from PENSCO's EIN or your Social Security Number. Please leave the EIN field blank if this is the first year of the plan's filing or if you are unsure of the correct number to use.

You can apply for an EIN for your retirement account/s by completing IRS Form SS-4 and submitting it to the IRS. If you choose to apply for an EIN, please list the legal name of the entity (Form SS-4, Line 1) as the Account Owner Name, followed by IRA or Roth IRA (whichever applies), i.e. "John Doe IRA."

You can direct PENSCO to apply for an EIN on your behalf by completing the enclosed Form SS-4. You should designate PENSCO Trust as the third party designee, then sign and return the completed form to PENSCO. Please leave the EIN section of Form 990-T blank, and we'll complete that section once the EIN has been assigned. PENSCO will send confirmation of the EIN assignment by the IRS.

If UBTI/UDFI is < \$1,000: If total UBTI/UDFI from the combined sources in your retirement plan during the previous tax year is less than \$1,000, the 990-T filing is not required; your tax advisor can help determine if a UBTI/UDFI loss can be used to offset future UBTI/UDFI income.

Organization Fields on IRS Form 990-T: The the top of the Form 990-T should read as follows:

Account Owner Name IRA, c/o PENSCO Trust Company
P.O. Box 173859
Denver, CO 80217-3859

Submit documents to PENSCO using the following methods:

<u>MAIL</u>	<u>FAX</u>	<u>UPLOAD ONLINE</u>
PENSCO Trust Company Attn: Regulatory Reporting P.O. BOX 173859 Denver, CO 80217-3859 (800) 962-4238	Documents can be faxed to our Regulatory Reporting department at 303-614-7060.	Upload documents and forms via https://www.pensco.com/contact-us/#upload

We encourage you to seek the advice of a tax professional for questions about the Form 990-T filing on behalf of your PENSCO retirement account. IRS Publication 598 covers UBTI. This publication, along with Form 990-T and filing instructions, can be found at www.irs.gov, or by calling the IRS at 877-829-5500.

For more information regarding UBTI or UDFI, visit www.pensco.com/taxmatters or contact our Client Services team at 800-962-4238.