



# University System of Georgia Foundation

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# Corporate Sponsorship Income

- Tax-Free Gift (Charitable Contribution)
- Taxable Advertising Payment
- Both Taxable and Non-Taxable

*“Expectation of substantial return benefit” –  
Internal Revenue Code, Section 513 (i)*



Source: National Council of NonProfits

# Examples of Non-Taxable Acknowledgments

Featuring the sponsor's name and logo in printed media, on a institution website, or on a banner at an event.



# Examples of Non-Taxable Acknowledgments

Posting a link that takes the viewer only to the sponsor's home page – *not to a page where a product or service is marketed or sold.*



# Examples of Non-Taxable Acknowledgments

Displaying or distributing free samples of a sponsor's products at an event, as long as the event does not endorse the product/service.



# Examples of Non-Taxable Acknowledgments

Inviting corporate sponsors to special events, such as a reception, as long as the monetary value of the event is not more than 2% of the corporate sponsor's payment.





# Examples of Taxable Acknowledgments

Promising the corporation the privilege of being an “exclusive provider” of products or services in return for sponsorship.

# Examples of Taxable Acknowledgments

Providing a link on the institutions website to the corporation's website where products are sold, or listing specific information where products or services can be ordered.





# Examples of Taxable Acknowledgments

Endorsing the sponsor, or inducing others to buy the sponsor's products or services.

# Examples of Taxable Acknowledgments

- Giving more than token services or privileges to the sponsor, such as tickets to lavish receptions/dinners if the value to the sponsor exceeds 2% of the sponsor's payment.



# Examples of Taxable Acknowledgments

Making sponsorship payments contingent on how many people attend the event, including broadcasting.

# Examples of Payments that are both Taxable and Non-Taxable

- Acknowledge a corporation's support for a event with a banner
- sponsorship “package” also includes a full page 'ad' in the athletic brochure, with text written by the corporation that promotes its products and services to attendees of the event, at least some of the corporate sponsorship payment is likely to be considered advertising income.

In such cases the nonprofit will have to report that portion of the income as "unrelated business income" ("UBI"), subject to tax ("UBIT" = "unrelated business income tax").



# Tostitos and the Fiesta Bowl

- When the NCAA brought Tostitos on as the title sponsor of the Fiesta Bowl, they changed the bowl game's name to the *Tostitos Bowl*.
- The IRS later threw a penalty flag and took the NCAA to court, arguing the money garnered from Tostitos (and all bowl sponsors) was advertising revenue—and therefore taxable.
- But the court disagreed. They ruled that the amount Tostitos paid the NCAA to have their name and logo front-and-center was sponsorship revenue, not advertising.
- So why did the NCAA win big in court? They did nothing to promote Tostitos products and, according to the court, followed all applicable IRS rules.



# Working with your Advancement Office

Advancement Offices are responsible for compliance with state solicitation laws.



