

400.9 Qualified Sponsorship Payments

Receiving qualified sponsorship payments is exempt from UBTI. A *qualified sponsorship payment* is any payment made by a person engaged in a trade or business for which the person will receive no substantial benefit other than the use or acknowledgment of the business name, logo, or product lines in connection with the organization's activities. "Use or acknowledgment" doesn't include advertising the sponsor's products or services.

Example. The University promises to use a sponsor's name or logo in acknowledging the sponsor's support for an educational event in return for receiving a sponsorship payment. The payment is a qualified sponsorship payment and is not subject to the unrelated business income tax.

Providing facilities, services, or other privileges (for example, complimentary tickets or receptions for major donors) to a sponsor or the sponsor's designees in connection with a sponsorship payment does not affect whether the payment is a qualified sponsorship payment. Instead, providing these goods or services is treated as a separate transaction in determining whether the organization has unrelated business income from the event. Generally, if the services or facilities aren't a substantial benefit or if providing them is a related business activity, the payments will not be subject to the unrelated business income tax.

If part of a payment would be a qualified sponsorship payment if paid separately, that part is treated as a separate payment. For example, if a sponsorship payment entitles the sponsor to both product advertising and the use or acknowledgment of the sponsor's name or logo by the organization, then UBTI does not apply to the part of the payment attributable to the sponsorship. The fair market value of each component (advertising and sponsorship) should be used to allocate the payment.

Advertising

A payment isn't a qualified sponsorship payment if, in return, the organization advertises the sponsor's products or services. See Section 400.1.