

Guidelines for Soliciting Sponsorships

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A sponsorship is a gift of cash from a business to support a university event. Because the University is required to pay Federal income tax on net income from advertising, it is extremely important that the contribution be structured as a qualified sponsorship payment rather than a taxable advertisement.

The IRS has created the following safe-harbor rules to help distinguish between taxable advertising and sponsorship.

Sponsorship:

- Mention of location, phone number, website.
- Value-neutral descriptions, including displays or visual depictions, of the sponsor's product line or services.
- Displays of brand or trade names and product or service listings.
- Logos or slogans that are an established part of the sponsor's identity.
- Mere display or distribution (free or at a cost) of the sponsor's product at a sponsored activity.

Advertising:

- Qualitative or comparative language.
- Price information or other indications of savings or value.
- An endorsement or inducement to purchase, sell, or use the sponsor's service, facility, or product.
- A single message containing advertising and acknowledgement is considered 100% advertising.
- Payments that are contingent on the level of attendance at events, broadcast ratings or other factors indicating the degree of public exposure.
- The right to limit distribution of competing products or services in connection with the payment.

Departments receiving advertising revenue shall work with their Financial Officer to report revenue amounts to the Controller's Office. Net income from advertising will be taxed at regular corporate rates and charged back to the department.

If a donor receives goods or services in return for their sponsorship payment (e.g., dinner or tickets to an event) a quid pro quo statement will show on the charitable receipt indicating the "the donor received goods or services valued at \$_____.

Before facilitating a sponsorship contribution, the receiving unit shall complete the online Sponsorship Application found at www.usu.edu/advancement/sponsorship for approval from the Advancement Office for compliance.

References:

IRC Sec. 513(c) – Advertising

IRC Sec. 513(i) – Qualified Sponsorship Payments

Treas. Reg. 1.513-4 – Certain sponsorship not unrelated trade or business

IRS Resources: Rev. Rul. 67-246