



Sponsorship vs. Donation Information

This document is for information purposes and is not intended as financial or legal advice. Please be sure to always check with your organization's accountant or legal advisor for the latest information. Information provided in this document is from the IRS and the National Council of Nonprofits.

Sponsorships: Sponsorships are generally related to a particular product or event like Founders Day or a football tailgate. Sponsorship money is intended to underwrite the total or partial cost for producing said product or event. In return for the money given through a sponsorship, the sponsor (typically a corporate entity) will receive recognition opportunities in accordance with pre-determined sponsorship levels. Sponsorships are viewed as a charitable gift and are tax-deductible (minus the value of any tangible benefits received in connection with the sponsorship).

Donations: Donations are also meant to underwrite or support a particular event, initiative, or in some cases, a product. The entity giving the gift (typically a graduate or corporate entity) may receive media acknowledgement of their gift (some entities do not want acknowledgement and prefer to remain anonymous). The acknowledgement does not promote a company, product, or service; rather, it simply acknowledges that a gift was made by that entity in support of the particular endeavor. Charitable gifts are tax-deductible.

Taxable vs. Non-Taxable Income

Some payments are both taxable and non-taxable:

- Payments from a business sponsor can actually be a mixture of charitable contributions and advertising. For example, while it is fine to acknowledge a corporation's support for a conference or special event with a banner and a public 'thank you' from the podium, if the sponsorship "package" also includes a full page 'ad' in the event brochure, with text written by the corporation that promotes its products and services to attendees at the conference, 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").

These factors do not automatically result in taxable income:

- The sponsor's name, logo, general phone number, locations, and internet address in printed media, or on a nonprofit's website.
- Value-neutral displays of a sponsor's products or services, or the distribution of free samples of a sponsor's products at a nonprofit's event. The nonprofit should not endorse the product/service.
- A single static internet website 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.

These factors may result in taxable income:

- Exclusivity: if a nonprofit promises a for-profit that it will be the "exclusive" sponsor, that promise may trigger a finding of "substantial return benefit" if the IRS finds that being the exclusive sponsor confers a substantial benefit on the sponsor. (See IRS guidance on Exclusive Provider Arrangements.)
- Providing prices, indications of savings or value, endorsements, or inducements to buy a sponsor's products or services.
- Providing a link from a sponsor's name/logo on the nonprofit's website to the page of a sponsor's website where a product or service is sold or listing the phone number where the product or service can be ordered.
- Providing more than token services or other privileges to the sponsor in return for its sponsorship payment, such as tickets to an event that are complimentary and not otherwise available to the public, or lavish receptions (!).



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- Accepting a payment from a corporate sponsor that is contingent upon the level of attendance at the nonprofit's event.
- Providing sponsors with advertising or acknowledgments in a nonprofit's regularly scheduled and published materials, such as an eNewsletter.
- Corporate sponsorship payments that are provided in return for specific advertising opportunities.

The infographic is divided into two columns. The left column is titled 'Examples of non-taxable ACKNOWLEDGEMENTS' and lists four items: 1. Featuring the sponsor's name and logo in printed media, on a nonprofit's website, or on a banner at an event. 2. 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. 3. Displaying or distributing free samples of a sponsor's products at a nonprofit's event, as long as the nonprofit does not endorse the product/service. 4. Inviting corporate sponsors to special events, such as a dinner or reception, as long as the monetary value of the event is not more than 2% of the corporate sponsor's payment to the nonprofit. The right column is titled 'Examples of taxable "SUBSTANTIAL BENEFIT"' and lists five items: 1. Promising the for-profit that it will be the "exclusive" provider of products or services in return for sponsorship. 2. Providing a link from the nonprofit's website to the page of a sponsor's website where products are sold, or listing the phone number where the products or services can be ordered. 3. Endorsing the sponsor, or inducing others to buy the sponsor's products or services. 4. Giving more than token services or other privileges to the sponsor, such as tickets to an event or lavish receptions (!) if value to sponsor exceeds 2% of sponsor's payment to the nonprofit. 5. Making sponsorship payments contingent upon how many people attend the nonprofit's event. The infographic includes icons for a price tag, an envelope, a ticket, and a group of people.

Examples of non-taxable ACKNOWLEDGEMENTS	Examples of taxable "SUBSTANTIAL BENEFIT"
1. Featuring the sponsor's name and logo in printed media, on a nonprofit's website, or on a banner at an event.	1. Promising the for-profit that it will be the "exclusive" provider of products or services in return for sponsorship.
2. 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.	2. Providing a link from the nonprofit's website to the page of a sponsor's website where products are sold, or listing the phone number where the products or services can be ordered.
3. Displaying or distributing free samples of a sponsor's products at a nonprofit's event, as long as the nonprofit does not endorse the product/service.	3. Endorsing the sponsor, or inducing others to buy the sponsor's products or services.
4. Inviting corporate sponsors to special events, such as a dinner or reception, as long as the monetary value of the event is not more than 2% of the corporate sponsor's payment to the nonprofit.	4. Giving more than token services or other privileges to the sponsor, such as tickets to an event or lavish receptions (!) if value to sponsor exceeds 2% of sponsor's payment to the nonprofit.
	5. Making sponsorship payments contingent upon how many people attend the nonprofit's event.

National Council of Nonprofits -

<https://www.councilofnonprofits.org/sites/default/files/images/Corporate%20Sponsorship%20.png>