

Advertising

Advertising is a payment from an outsider in which the outsider receives **something of benefit** in return. An advertisement:

- Promotes or encourages the use of the trade, business, service, facility, or product of the payor
 - “Visit today and check out their fine selection of tires”
- Contains qualitative or comparative language
 - “Offering the finest selection of tires in town”
 - “Offering the largest selection of tires in town”
- Offers an endorsement
 - “Recommended for all your automotive needs”
- Provides price information or indications of savings or value
 - “Home of the ‘Buy 3 Get 1 Free’ Special”
 - “Show your ticket stub for a 10% discount”

In most cases, advertising revenue will be treated as unrelated business income subject to taxation.

Here is an example of an advertisement subject to taxation:



Sponsorships

A sponsorship is a payment from an outsider in which the outsider receives **nothing of benefit** in return. The sponsorship acknowledgement may include:

- Recognition as a sponsor, including “Exclusive” sponsor
- Name, address, phone number
- Website
- Logo
- General description of product or services
 - “Retailer of bathroom fixtures”
- Visual depictions of products or services
- Taglines
 - “The Ultimate Driving Machine”
- Display or distribution of products

A sponsorship payment is usually treated as contribution revenue. Charitable organizations should provide a written acknowledgement to sponsors who give over \$250. The acknowledgment should specify the value of any benefits that were provided to the donor in connection with the payment, including event tickets, goods, services, and advertising. Benefits other than advertising may be disregarded if the value is less than 2% of the sponsorship payment.

Here is an example of sponsorship:



Contractual Services

Certain payments will not qualify as a sponsorship payment, but may not be advertising either.

- Exclusive provider arrangements
 - In return for a payment from ABC Cola, XYZ Cola will not be allowed for sale
- Payment for the provision of goods or services, use of facilities, or other privileges
- Payments that are contingent on the level of attendance
 - ABC Cola will pay \$x,000, but only if at least 5,000 people attend the event
- Payments for the use of the logo, trademark, mailing list, or other intangible assets

Such payments may be classified as contractual services or royalties.