

Sponsorships Processing Guide



University of Wisconsin
Stevens Point

FINAL 06/20/2022 – Prepared by Christina Rickert, Controller

Background

Sponsorships occur when companies or individuals provide money, services, or other support to a UWSP event or activity without receiving substantial benefit from the university in return.

When the promotional benefit received by the sponsor exceeds acknowledgement of payment, the sponsorship becomes advertising income, and this may result in unrelated business income tax (UBIT).

Definitions

Advertising – any message or other programming material which is broadcast or otherwise transmitted, published, displayed, or distributed and which promotes or markets any trade or business or any service, facility, or product. (Treas. Reg. 1.513-4(c)(2)(v))

Charitable Contribution – a donation or gift to, or for the use of, a qualified organization. It is voluntary and is made without getting, or expecting to get, anything of equal value. (IRS Publication 526, 2021)

Qualified Sponsorship Payment – any payment of money, transfer of property or the performance of services, by any person engaged in a trade or business, where there is no arrangement or expectation that the person will receive any substantial return benefit in exchange for the payment. (Treas. Reg. 1.513-4(c)(1)). May include a single event, series of related events, an activity of extended or indefinite duration, an/or continuing support of an exempt organization. Sponsored activity is related or unrelated to the organization's exempt purpose(s).

Substantial Return Benefit – any benefit other than a use or acknowledgement or disregarded benefits. A benefit is disregarded if the aggregate fair market value of all the benefits provided to the payor during the organization's taxable year is not more than 2% of the amount of the payment. (Treas. Reg. 1.513-4(c)(2)(ii))

Benefits include, but are not limited to:

- Advertising
- Exclusive *provider* arrangements that limit the sale, distribution, availability, or use of competing products, services, or facilities
- Goods, facilities, services, or other privileges
- Rights to an intangible asset such as trademark, patent, logo, or designation of the exempt organization.

Use or Acknowledgement does not include advertising, but may include:

- Exclusive *sponsorship* arrangements
- Logos or slogans that do not contain qualitative or comparative distribution of products, services, facilities or company
- A list of payor's locations, telephone numbers, or internet address
- Value-neutral descriptions including displays or visual descriptions of product lines and/or services
- Brand or trade names and product or services listings

General Requirements

The university conducts functions, such as conferences, official functions, and fundraising events, at which organizational units may offer opportunities for corporate or individual sponsors to help support costs associated with the event. Procedures, outline rules and requirements, are provided for accepting, depositing, acknowledging, and documenting these sponsorships. When *exclusive* sponsorship or provider agreement is requested or offered, additional review is required.

Sponsorships and UBIT

A sponsorship is support of a university event or activity by a company or individual in which there is no arrangement or expectation that the company or individual will receive any substantial return benefit. Support may include a payment of money, transfer of property, gift in kind, or the provision of services. In return, the sponsor's name and/or logo may appear on event brochures, banners, or other promotional materials. When the promotional benefit received by the sponsor exceeds the mere acknowledgement of the payment, then the sponsorship becomes advertising income to the University. This advertising income, in turn, can result in unrelated business income tax (UBIT) for the University since advertising does not fall within the education and research mission of most organizational units at the University.

The following types of sponsorships will **not** result in UBIT. This is not an all-inclusive list.

- Visual display of sponsor name/sponsor logo on items such as the event web page, invitations, flyers, brochures, event program, banners, banquet table signage, or display monitor screens.
- Verbal recognition of the sponsor at the event.
- Value-neutral descriptions of the sponsor's product whether in a print, broadcast, or internet medium (that is, the descriptions do not contain qualitative or comparable language/description, price, or call to action to use or purchase the sponsor's products or services).
- A hyperlink on a university webpage to a sponsor's website and nothing more.

The following types of sponsorships **may** result in UBIT. This is not an all-inclusive list.

- There is a call-to-action relative to the sponsor's products, services, facilities, or company (i.e., language or logo itself, that promotes use or inducements to purchase sponsor's products, services, facilities, or company).
- There is a comparative or qualitative description, price information, or other indications of savings or value of the sponsor's products, services, facilities, or company (e.g., # 1 burgers in town, lowest prices in Wisconsin).
- Sponsorship payments whereby the individual or company is entitled to the use or acknowledgement of the business name, logo, or product lines in a university periodical versus an event-specific program or brochure.

- Payment by the sponsor for advertising in a periodical, which is defined as any regularly scheduled and printed material (such as a monthly journal) that is published by or on behalf of the organization or one of its organizational units.

See appendix for additional examples.

Acceptance and Deposit Procedures

Sponsorships can be considered business or promotional expenses or a gift/donation on the part of the company or individual offering the sponsorship payment to the University. In return for their sponsorship, the company/individual receives the benefits accorded to them as listed on the sponsorship agreement or associated with the articulated support levels (e.g., platinum, gold, silver sponsorships). For these reasons, the university will consider and process all sponsorships as gifts, issuing a gift tax receipt for these payments when requested.

When accepting a sponsorship and depositing the payment:

- The organizational unit can accept a sponsorship payment. Payment should be made payable to the University of Wisconsin-Stevens Point (UWSP).
- The sponsorship must be treated as a gift. Such sponsorship payments must be placed in a University Fund 233 whose purpose is consistent with that of the event. Follow regular campus procedures for depositing gift revenues; use account 9500 (Revenues: Gifts & Donations).
- It is the responsibility of the organizational unit to provide documentation of the fair market value (or non-gift amount) of what the sponsor received relative to the sponsorship payment. This information is required for accurate issuance of gift tax receipts by the Business Services office upon request from the sponsor.

Special Considerations

University of Wisconsin-Stevens Point Foundation (UWSP Foundation): The UWSP Foundation may accept sponsorship monies on behalf of the University. Generally, UWSP Foundation Development staff would solicit these sponsorships for an organizational unit event, with intent to deposit to the appropriate university account. However, if the UWSP Foundation is accepting a sponsorship payment and issuing the gift tax receipt, it is the responsibility of Development staff and organizational unit staff to communicate to and coordinate with the UWSP Foundation Director of Operations, any gift/non-gift components of the sponsorship payment for proper gift tax receipt acknowledgement. Multi-year sponsorship agreements, such as naming agreements, are more appropriately handled by the UWSP Foundation.

Athletics - NCAA Compliance and Other Sponsorships: The University Athletics have additional compliance rules and regulations that govern their operations. Please seek additional information from the Athletics Compliance Office.

The sponsorship guidance contained in these procedures is intended to provide a reference solely for event sponsorships that fall under the university definition for a conference, official function, or fundraising event.

Questions

Questions related to sponsorships should be directed to the university controller, who will consult with the Vice Chancellor for Business Affairs, as appropriate.

Exceptions

Unless approved by the Associate Vice Chancellor/Controller, there are no exceptions to this procedural statement. Requests for approval of exceptions must be submitted through the controller's office.

Appendix

The infographic is divided into two columns. The left column is titled 'Examples of non-taxable ACKNOWLEDGEMENTS' and lists four items. The right column is titled 'Examples of taxable "SUBSTANTIAL BENEFIT"' and lists five items. A vertical line separates the two columns, with icons (a price tag, an envelope, a ticket, and a group of people) placed along the line.

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.