Sponsorship Income and UBIT Brief

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Key findings

- A qualified sponsorship payment — one that only acknowledges a sponsor's name, logo, or general product line — is excluded from unrelated business income; a payment that buys advertising is not.
- The line is drawn by content, not by amount: a small acknowledgment that includes a comparative claim can be taxable, while a large acknowledgment that stays purely descriptive is not.
- Exhibit-hall booth fees are generally rent, a separately excluded category from sponsorship, but signage or materials a sponsor brings into a booth can independently raise the same qualified-versus-advertising question.
- The safest sponsor acknowledgments describe what a sponsor makes or does, not why an attendee should choose it.

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Why this matters more every year

Sponsorship has become one of the largest non-dues revenue lines at most national associations, funding everything from a general session's coffee service to an entire evening reception, and its share of the typical conference budget keeps growing as attendance-based revenue flattens. NANA's own four-tier sponsor roster — Presenting, Premier, Supporting, and Partner — reflects the same trend other associations are seeing: sponsors want more visibility for their support, and association staff building a sponsorship prospectus are under real pressure to offer it. The tax question this brief addresses sits directly underneath that pressure. The more visibility a sponsorship package promises, the more likely some part of it drifts from acknowledgment into advertising, and the consequence of getting that line wrong is unrelated business income tax on revenue an association had budgeted as tax-favored.

What counts as a qualified sponsorship payment

Under the applicable IRS rules, a qualified sponsorship payment is one made by a business with no arrangement or expectation that the business will receive any substantial return benefit other than the use or acknowledgment of its name, logo, or product lines in connection with the organization's activities. An acknowledgment can include the sponsor's name, logo, and general contact information, a list of its locations, and value-neutral descriptions of its products or services — describing what a sponsor does or makes, without characterizing it favorably against a competitor's offering.

Critically, the size or prominence of the acknowledgment doesn't itself determine the outcome. A sponsor's logo displayed prominently on a general session backdrop is still a qualified acknowledgment if the content itself stays descriptive. What changes the analysis is content, not visibility.

What pushes an acknowledgment into advertising

An acknowledgment becomes advertising, and the payment funding it becomes taxable, when it includes qualitative or comparative language about the sponsor's products or services, a price or savings message, an endorsement, or an inducement to purchase, use, or patronize the sponsor's business. "Presented by [Sponsor], the leading provider of association management software" crosses the line the moment "leading" appears — that's a qualitative claim, not a neutral acknowledgment. So does any mention of a discount, promotional code, or "visit us to save," even attached to an otherwise neutral logo placement.

The distinction can feel technical in the moment a sponsorship package is being negotiated, since sponsors reasonably want their support to do some marketing work, not just appear as a name on a banner. The brief's practical advice is to separate what belongs in the sponsor acknowledgment itself — name, logo, neutral description — from what belongs in a sponsor's own separately purchased advertising space, such as a program guide ad or an exhibit-hall booth, where ordinary advertising content is expected and taxed accordingly rather than disguised as sponsorship.

Exhibit-hall booths: rent versus sponsorship

A separate and simpler category covers exhibit-hall booth fees: payment for the use of real property, which is generally treated as rent rather than sponsorship income, and rental income from real property is itself excluded from unrelated business income under a different, longstanding rule. Associations sometimes conflate a booth fee with a sponsorship payment because both appear on the same sponsor's invoice, but they are analyzed separately. The booth fee is rent. Any signage, banners, or promotional materials the sponsor brings into that booth space are the sponsor's own advertising and are not part of the tax analysis for the booth fee itself — but if the association's own exhibit-hall program includes additional acknowledgment elements beyond the booth space, such as a name in the printed exhibitor directory or an announcement from the stage, those elements get evaluated under the qualified sponsorship test independently.

A practical checklist for prospectus and contract language

Before a sponsorship prospectus or exhibit-hall contract goes to print, this brief recommends reviewing every proposed sponsor benefit against a short set of questions: Does the benefit describe the sponsor neutrally, or does it characterize the sponsor's product favorably against alternatives? Does any element include a price, discount, or direct call to purchase? Is any benefit conditioned on the sponsor's performance or exclusivity in a way that starts to resemble an advertising placement rather than an acknowledgment? Is a booth fee being invoiced and

tracked separately from sponsorship payments, even when the same sponsor is paying both? Answering each question honestly at the prospectus-drafting stage is considerably cheaper than discovering a problem during an audit, when the association's options for fixing sponsor-facing language have already narrowed.

What to do if a payment doesn't clearly fit either category

Not every sponsor benefit sorts cleanly into "qualified acknowledgment" or "advertising" on a first read, and this brief does not attempt to resolve every edge case — a sponsor benefit that combines a neutral logo placement with an unusual exclusivity arrangement, for instance, may need its own analysis. Associations facing a genuinely ambiguous benefit should treat that ambiguity as a signal to get a specific opinion from tax counsel or an accountant familiar with exempt-organization rules, rather than defaulting to either the most permissive or the most conservative reading on their own. Oduya's broader advice to member associations reviewing their own sponsorship programs is to build the qualified-sponsorship test into the prospectus drafting process itself, so the question gets asked once, early, by whoever is negotiating with the sponsor, rather than surfacing for the first time when the association's accountant reviews the year's UBIT exposure.