



## Corporate DAF Sponsorship Policy

### **What is a Corporate DAF Sponsorship?**

Corporate Donor Advised Fund (DAF) sponsorships involve a corporation paying for sponsorships through their DAF. A corporation/business that has a DAF can make Qualified Sponsorship Payments in which tax-exempt entities acknowledge the payment in the same way as a charitable donation.

### **General Responsibilities**

The responsibilities of PPCF will be to:

- Ensure that sponsorship gifts do not include impermissible benefits or advertising
- Advise the Corporation of when a sponsorship would be considered taxable and therefore not eligible for funding through the DAF

The responsibilities of the fund advisor for the Corporate DAF will be to:

- Make PPCF aware of any benefits received because of the sponsorship
- Ensure that advised DAF donations for sponsorships do not include impermissible benefits and that employees/related parties of the corporation are not receiving benefits outside of what is outlined in the gift acknowledgement from the tax-exempt organization

### **What is a Qualified Sponsorship Payment?**

According to IRC Sec. 513(i), a qualified sponsorship payment (eligible as a tax exempt donation) means any payment made by any person engaged in a trade or business with respect to which there is no arrangement or expectation that such person will receive any substantial return benefit other than the use or acknowledgement of the name or logo (or product lines) of such person's trade or business in connection with the activities of the organization that receives such payment. Such a use or acknowledgement does

not include advertising such person's products or services (including messages containing qualitative or comparative language, price information, or other indications of savings or value, an endorsement, or an inducement to purchase, sell, or use such products or services).

### **Impermissible Benefits**

A Corporate DAF may not receive substantial return benefits for a sponsorship. Substantial return benefit is defined in Treas. Reg. 1.513-4(c)(2)(ii) as any benefit other than a use or acknowledgement (explained below) or disregarded benefits.

Treas. Reg. 1.513-4(c)(2)(ii) provides that impermissible benefits include, but are not limited to:

- Advertising (as outlined below)
- Exclusive provider arrangements that limit the sale, distribution, availability, or use of competing products, services or facilities in connection with an exempt organization's activity generally results in a substantial return benefit. See Treas. Reg. 1.513-4(c)(2)(vi)(B) for definition. However, an arrangement that acknowledges the payor as the exclusive sponsor of an exempt activity, or the exclusive sponsor representing a particular trade, business or industry, generally, does not result in a substantial return benefit. (The difference here is exclusive sponsor versus an exclusive provider.)
- Goods, facilities, services or other privileges
- Rights to an intangible asset such as a trademark, patent, logo or designation of the exempt organization

### **Related Parties**

A distribution out of the DAF may not result in a financial benefit for the corporation or related parties. Related parties can be defined as an individual who sits on the Board of the corporation, or an individual that has 35% or more ownership in corporation, as well as their family members. Not all employees of the corporation are considered related parties.

### **What constitutes advertising?**

Advertising is defined in Treas. Reg. 1.513-4(c)(2)(v) as 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. Advertising includes messages containing qualitative or comparative language, price information or other indications of savings or value associated with a product or service, an endorsement or an inducement to purchase, sell or use the sponsor's company, service, facility or product.

A message that contains comparative or qualitative descriptions does not meet the definition of a qualified sponsorship and is advertising. A single message that contains both advertising and acknowledgement is advertising.

The below also constitute advertising and will constitute a benefit:

- Any payment if the amount of such payment is contingent upon the level of attendance at one or more events, broadcast ratings, or other factors indicating the degree of public exposure to one or more events,
- Any payment which entitles the payor to the use or acknowledgement of the name or logo (or product lines) of the payor's trade or business in regularly scheduled and printed material (periodicals) published by or on behalf of the exempt organization that is not related to and primarily distributed in connection with a specific event conducted by the payee organization, or
- Any payment made in connection with any qualified convention or trade show activity. (The term "convention and trade show activity" means any activity of a kind traditionally conducted at conventions, annual meetings, or trade shows (IRC Sec. 513(d)(3)(B)).

### **What does not constitute a benefit?**

Qualified Sponsorship Payments - any payment made in which there is no arrangement or expectation that a person/organization will receive any substantial return benefit other than the use or acknowledgement of the name or logo (or product lines) of such person's trade or business in connection with the activities of the organization that receives such payment.

Distribution of a sponsor's product by the sponsor or the exempt organization to the general public at the sponsored event, whether for free or for remuneration is not considered an inducement to buy, sell or use.

Acknowledgements are not a benefit. Acknowledgements are the mere recognition of sponsorship payments and may include sponsor logos and slogans (that do not contain comparative or qualitative descriptions), sponsor locations and telephone numbers, value-neutral descriptions (including displays or visual depictions) of a sponsor's product-line or services and sponsor brand or trade names, and product service listing. The effect of an acknowledgement is identification of the sponsor rather than the promotion of the sponsor's products, services or facilities. Logos or slogans alone are considered acknowledgements as they do not contain comparative or qualitative descriptions.

Treas. Reg. 1.513-4(c)(2)(iv) provides that a substantial return benefit does not include the use or acknowledgement of the name or logo (or product lines) of the payor's trade or business in connection with the activities of the exempt organization. Use or acknowledgement does not include advertising (as described above) but may include:

- Exclusive sponsorship arrangements (as opposed to exclusive provider arrangements described above)
- Logos or slogans that do not contain qualitative or comparative descriptions 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 service listings

Logos or slogans that are part of a payor's identity are not considered to contain qualitative or comparative descriptions. Mere display or distribution, whether for free or for remuneration, of a payor's product at the sponsored activity is not considered an inducement to purchase, sell or use the payor's product.

#### **PPCF Corporate DAF Sponsorships**

PPCF allows Corporate DAFs to pay for sponsorship of tax-exempt activities and events. When a fund advisor for a Corporate DAF advises that they would like to make a gift to a tax-exempt organization for sponsorship, they will follow the below process:

1. Fund advisor will reach out to philanthropic services department with the sponsorship opportunity that is being considered and provide any documentation of 'benefits' received for sponsorship – a contact person at the gift recipient organization is appropriate as well
2. PPCF makes determination of whether benefits are Qualified Sponsorship Payments, or whether they constitute Advertising and/or are a Substantial Return Benefit
  - a. When benefits appear to constitute advertising or provide the Corporation with Substantial Return, PPCF will send form to nonprofits declining Advertising or Substantial Return Benefits along with the grant.