

SPONSORSHIP GUIDELINES

The law permits a nonprofit organization such as PTA, without payment of income taxes and without risking loss of tax exemption, to both:

- ❖ Engage in sales activities if any of four conditions are met with respect to such sales activity.
- ❖ Receive corporate sponsorships.

FOUR CONDITIONS TO AVOID UNRELATED BUSINESS INCOME TAXATION (UBIT):

1. Sell donated merchandise
 2. Substantially all help is donated
 3. Activity is not a "regularly carried on trade or business"
 4. In furtherance of PTA's exempt purpose
- Some items fall in more than one category, such as Girl Scout cookie sales, which fall into three of the four categories.
 - Girl Scouts cookie sales are conducted with substantially all volunteer help (#2 above)
 - If the event is held only once per year it is probably not a "regularly carried on trade or business." Exception - Christmas Cards or Christmas Trees. (#3 above)
 - The Girl Scouts maintain that their cookie sales are a "prop" to help carry out their charitable mission for which they were organized. It is part of their program to help girls mature. (#4 above)
 - Gives the girls confidence.
 - Teaches sales skills.
 - Teaches how to count money.

PTA & QUALIFIED CORPORATE SPONSORSHIPS

Corporate sponsorship is a means of funding in which a corporation provides cash, products, or know-how to a charitable or educational organization in return for acknowledgement of thanks. The acknowledgement of thanks generally takes the form of public recognition for the sponsor's support. Sponsorships are an appropriate means of funding projects and programs that promote the objectives of an organization. Certain guideline must be followed to ensure that the PTA's Noncommercial policy is adhered to.

ACCEPTABLE- Acknowledgements - It is acceptable to include the transmission or display of a sponsor's logos and slogans that do not contain comparative or qualitative description of its products and services. It may include sponsor locations, telephone numbers, and value-neutral description of a sponsor's product line or services.

UNACCEPTABLE - Acknowledgements that include advertising (Endorsements) - To the extent that the acknowledgement exceeds mere identification and, instead, promotes the sponsor's product or services, the recognition may instead be treated as advertising rather than acknowledgement. Price information would generally be treated as advertising rather than acknowledgement. Any inducements to buy, sell, rent, or lease a sponsor's product or service would likewise be treated as advertising rather than donor acknowledgement.

FOLLOWING PTA'S NONCOMMERCIAL POLICY

- Do not make a qualitative judgment on the sponsor's products or services.
- Do not include comparative language or language that implies good quality in the acknowledgement.
- Do not permit the sponsor to write the acknowledgement of thanks.
- Do not ask your members or the public to buy the products or services of the sponsor.
- Do not advertise a product or service.
- Do not endorse a product or service.

PERMISSIBLE ACTIVITIES

- Give the corporate sponsor an acknowledgement of thanks in return for the donation.
- Identify the sponsor's name, a picture of their product, an address, phone number, Web page.
- Include the logo or slogan of the sponsor, for example: "Ford, Where Quality is Job One" or "Ford, Makers of Lincoln Mark VII".
- Provide free product samples. For example, it is acceptable to have a banner which states, "Pepsi: Valued sponsor of the California State PTA Convention - free samples at booth 56".

PROHIBITED ACTIVITIES

- Do not include any comparative statements such as, "MCI is better than AT&T!" or "Chevy: Best Car in America!"
- Do not call for someone to purchase a product. For example, "List your home with Century 21 today!" or "Bank of America: Open an account today!"
- Do not hang a banner that states, "PTA hates Coca-Cola and loves Pepsi."

SPECIFIC SPONSORSHIP CONTRACT ISSUES

ROYALTY	Percent of Gross Sales
PARTNERSHIP	Percent of Net Profit

- Under new regulations, it is acceptable for PTA to agree to an exclusive sponsorship. An exclusive agreement is one that prohibits competitors of the sponsor from selling at the event. The portion of the payment that reflects the exclusion element is taxable.
- It is acceptable for PTA to receive payments structured as royalties. Royalties are a percentage of gross total sales, regardless of whether the person paying the royalty makes a profit or a loss. The royalty is paid for use of the PTA name and logo.
- It is NOT acceptable for PTA to enter into a partnership (share of NET PROFITS) of a business.
- The PTA may provide a hypertext link from the PTA's Web site to the sponsor's Web site. But PTA must be seen to be "passively" allowing its name and logo to be used. PTA may not be too actively involved in soliciting traffic to the site.
- The PTA may not be characterized as endorsing the products offered on the site. This not only violates PTA noncommercial policy, but also may result in Unrelated Business Income Tax (UBIT).

Additional information regarding PTA Fund-raising, Sponsorships and PTA's Noncommercial Policy can be found in Section 59 of the Finance Section of the California State PTA Toolkit. Information on the Noncommercial Policy is also located in the Bylaws for Local PTA/PTSA Units, Article III, a & b.