1. What is a "qualified sponsorship payment" under IRC § 513(i)?

**Definition of A Qualified Sponsorship Payment**
*Treas. Reg. § 1.513-4(c)*

- Made by someone engaged in a trade or business
- No arrangement or expectation of a *substantial* benefit in return
- Payment is in the form of:
  - Money
  - Transfer of property, or
  - Performance of a service

2. Are there "return benefits" provided to the payor?

**Payer Return Benefits**
*Treas. Reg. § 513-4(c)(2)(iii)*

- Advertising
- Exclusive provider arrangement
- Goods, facilities, services, other privileges
- Exclusive or nonexclusive rights to use an intangible asset (e.g., organization's trademark)

**Diagram Flow**

- **YES**
  - Consider all return benefits for the organization's fiscal year.
  - Determine each benefit's *fair market value* (including payment for services).
  - See Question 3.

- **NO**
  - "Qualified sponsorship payment" is the fair market value of *entire* payment under 513(i).
3. Are the return benefits provided to the payor "disregarded" benefits or "substantial" benefits?

Does the aggregate of return benefits exceed 2% of the total payment?

**YES**

Benefits are considered *substantial return benefits*. Treas. Reg. § 1.513-4(c)(2)(i), (iv).

**NO**

Benefits are disregarded, and "qualified sponsorship payment" is the fair market value of *entire* payment under 513(i).

Exclude: Use or acknowledgment of payor's name, logo, or product by organization. Treas. Reg. § 1.513-4(c)(2)(iv).

Total payment (less FMV all benefits) Qualified sponsorship payment

4. What portion of qualified sponsorship payment is included in public support?

Does the qualified sponsorship payment include the value of services performed?

**YES**

Qualified sponsorship payment *(fair market value of services performed)*
Public support amount
Includible in numerator and denominator Treas. Reg. 170A-9(e)(6)(i)

**NO**

Entire amount of the qualified sponsorship payment is considered public support for purposes of IRC §§ 509(a)(1) and 170(b)(1)(a)(vi).

*Note:* Even if there are return benefits (e.g., advertising) to the payor in connection the payment they are disregarded to the degree their aggregate fair market value is not more than 2% of the total payment.