

Section 11.13 Accounting for Qualified Sponsorships

Policy Statement

Units must ensure that qualified sponsorships are properly accounted for within Banner.

Per [Internal Revenue Service \(IRS\) Publication 598](#), a qualified sponsorship is any payment (monetary or non-monetary) made by an entity engaged in a trade or business for which the entity will receive no substantial benefit other than the use or acknowledgment of the business name, logo, or product lines in connection with the entity's activities. "Use or acknowledgment" does **not** include advertising the sponsor's products or services.

To be considered a qualified sponsorship per these IRS guidelines, the sponsorship payment cannot be 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. However, the fact that a sponsorship payment is contingent upon an event actually taking place or being broadcast does not, by itself, preclude the payment from being a qualified sponsorship.

Reason for the Policy

To ensure accurate reporting for the University of Illinois System's audited financial statements and compliance with applicable IRS guidelines.

Applicability of the Policy

Any unit who receives a qualified sponsorship payment (monetary or non-monetary).

Procedure

To ensure compliance with proper financial statement reporting and the applicable IRS guidelines, refer to the procedures below:

1. Determine sponsorship levels and identify any substantial and/or non-substantial benefits which will be provided to the sponsor. This will help determine the nature of the payment as follows:
 - a. If the sponsor is receiving no substantial benefits other than the use or acknowledgment of the business name, logo, or product lines in connection with the entity's activities, then the payment is considered a qualified sponsorship payment which needs to be deposited through the UI Foundation (UIF) on a *Gift Transmittal Form* located on the [UIF Forms](#) webpage and recorded as gift revenue to a Banner gift fund.
 - b. However, if the sponsor is receiving substantial benefits (such as advertising) with a value approximately equal to (but not exceeding) the amount of their payment, then the payment is considered a non-qualified sponsorship payment which needs to be recorded as revenue to a self-supporting fund. Non-qualified sponsorships require an approved sponsorship agreement to be completed with your university's applicable contract services office and may also generate unrelated business income. For further details, see [Section 22.1 Contracts for Revenue Generating Activities](#) and [Section 18.13 Unrelated Business Income Tax \(UBIT\)](#).

- c. Finally, if the sponsor is receiving both non-substantial and substantial benefits, then the payment is considered a mix of a qualified and non-qualified sponsorship. These types of payments are typically deposited through the UIF on a *Gift Transmittal Form* located on the [UIF Forms](#) webpage with a detailed breakdown of fair market value of the benefits provided to the sponsor. The UIF will distribute these sponsorship proceeds to the applicable Banner gift fund using both gift and non-gift revenue account codes for the qualified and non-qualified sponsorships, respectively. As stated earlier, non-qualified sponsorships require an approved sponsorship agreement to be completed with your university's applicable contract services office and may also generate unrelated business income. For further details, see [Section 22.1 Contracts for Revenue Generating Activities](#) and [Section 18.13 Unrelated Business Income Tax \(UBIT\)](#).
2. Once the payment is received from the sponsor, determine the nature of the payment as outlined earlier. For any **(1)** qualified sponsorship payments or **(2)** sponsorship payments which are a mix of qualified and non-qualified, complete the steps below:
 - a. If you do not yet have an applicable UIF and Banner gift fund established for these sponsorship payments, submit a request to the UIF to establish a new UIF and Banner gift fund.
 - b. Complete a *Gift Transmittal Form* located on the [UIF Forms](#) webpage summarizing the nature of the payment. Indicate the fair market value of any substantial benefits that the sponsor may have received in the *Non-Gift* field of the form.
 - c. Submit the completed form along with the sponsor's payment to the UIF for deposit.
3. Once the new Banner gift fund is established, ensure that any expenses posting to the gift fund comply with assigned donor intent restrictions. For example, if the sponsor restricted their payment to support a specific event, then the expenses posting to that gift fund need to be related to that specific event.
4. If applicable, once the sponsored event is complete and the applicable Banner gift fund has been expended, consider whether the Banner gift fund is needed in the future. If not, submit a request to uas@uillinois.edu to terminate the applicable Banner and UIF gift funds.

Related Policies and Procedures

[18.13 Unrelated Business Income Tax \(UBIT\)](#)

[Section 22.1 Contracts for Revenue Generating Activities](#)

[IRS Publication 598, Tax on Unrelated Business Income of Exempt Organizations](#)