**What deduction for sponsorships?**

We have several corporations who sponsor our 501(c)(3)’s events and programming with donations varying between $1,000 and $5,000. They in return receive logos on our printed pieces, media etc. including some tickets to the events. How do I figure out what part of their donation is tax deductible? How do I value logo placement? Is there a percentage formula?

The amount that is deductible as a charitable contribution for sponsorships depends on what the donor gets in return.

If you are only acknowledging their contribution with publication of their logo and name, the IRS does not consider that a “**substantial return benefit**” and does not reduce the contribution deduction as a result.  You don’t have to worry about the size or placement of the logo in that situation.

If the acknowledgment takes the form of real advertising, however, it would be **considered advertising and not a sponsorship**.  If it is advertising, the value of the advertising (which is probably not very much) must be deducted from the payment before a charitable contribution can be claimed.

Assuming that there is no advertising involved, **when a donor gets tickets to the events** (or other things of value) in return for a sponsorship, **if the value of the tickets and other goods or services exceeds 2% of the donation**, (more than $20 value for each $1000 of gift), **the IRS applies the quid pro quo rules and reduces the contribution by the value of the tickets, goods or services received in return**.  ([See Ready Reference Page:  “IRS Finalizes Regs Covering Sponsorships”](http://www.nonprofitissues.com/public/features/ready/2002may.html))

A business donor probably doesn’t care too much about the charitable deduction because a business can deduct most such costs as ordinary business expenses.

The charity cares because it would rather have contribution income to apply toward its public support calculation than unrelated business income which could be taxable or “other income” (if the event is not “regularly carried on”) which would be adverse in the public support calculation.

<https://www.nonprofitissues.com/to-the-point/what-deduction-sponsorships>

**The IRS will look at the payment made to a nonprofit by a corporate sponsor and decide whether the payment is a tax-free gift (charitable contribution) or a taxable advertising payment**. A qualified sponsorship payment is acknowledged by the charitable nonprofit in the same way as any other charitable donation.

<https://www.councilofnonprofits.org/tools-resources/corporate-sponsorship-income-taxable-or-charitable-contribution>