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Corporate Sponsorship

Corporate sponsorship support is a payment by a business to a nonprofit to further the nonprofit's mission that is generally recognized by the nonprofit with an acknowledgment that the business has supported the nonprofit's activities, programs, or special event.

A successful corporate sponsorship benefits both the charitable nonprofit and its sponsor. However, there are tax issues to be aware of: In order for a corporate sponsorship to be appropriate and legal, the benefit to the for-profit entity *should not outweigh* the benefit to the tax-exempt charitable nonprofit.

Corporate sponsorships attract the attention of for-profit businesses because in addition to the company's commitment to the nonprofit's mission, sponsorships offer public recognition of the business's connection with a cause, which may help businesses attract new customers or bolster the company's reputation because of the "halo effect" of the nonprofit's good will. Charitable nonprofits, in turn, receive financial support and may also experience increased attention from the media and the public, in-kind services, and/or product donations.

Tax Implications of Sponsorship

Be aware that corporate sponsorships can result in unintended tax liability, even for tax-exempt charitable nonprofits. We encourage you to read the Council of Nonprofits' resources regarding the [tax treatment of corporate sponsorship income](#), so you can distinguish between non-taxable charitable contributions and payments by a business to the nonprofit that the IRS will characterize as "[unrelated business income](#)."

Practice Pointers

Is your nonprofit ready to approach a corporate sponsor? Consider these "readiness" factors before reaching out to recruit a corporate sponsor:

- Identify the value proposition that will attract a business to sponsor your nonprofit's mission or special event. (Do you know what the potential sponsor wants? What would "success" look like for the sponsor?)
- What goals do you have for the nonprofit, besides financial contributions? (publicity? volunteer/pro-bono assistance? gifts-in-kind?)
- Document both parties' expectations, obligations, and deliverables in writing. Most successful sponsorships are based on a written sponsorship agreement.
- Keep in mind that anytime a nonprofit engages in a transaction with a for-profit, the charitable nonprofit has an obligation to avoid [private benefit](#) which can occur, for example, when the benefit to the for-profit business of the corporate sponsorship outweighs the benefit(s) to the charitable nonprofit. Significant [penalties](#) can result.

Additional Resources

- [FAQs on corporate sponsorships](#) (Adler and Colvin, LLP)
- [Fun video advice on how to get corporate sponsors to love you](#) (Do Something)
- [Model Guidelines for Nonprofits Evaluating Proposed Relationships with Other Organizations](#) (Tobacco-Free Kids)

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