

103^D CONGRESS
1ST SESSION

S. 1171

To amend the Internal Revenue Code of 1986 with respect to the taxation of certain sponsorship payments to tax-exempt organizations and certain amounts received by Olympic organizations.

IN THE SENATE OF THE UNITED STATES

JUNE 29 (legislative day, JUNE 22), 1993

Mr. BREAUX (for himself, Mr. PRYOR, Mr. BOREN, and Mr. CHAFEE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 with respect to the taxation of certain sponsorship payments to tax-exempt organizations and certain amounts received by Olympic organizations.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXCLUSION FROM UNRELATED BUSINESS TAX-**
4 **ABLE INCOME FOR CERTAIN SPONSORSHIP**
5 **PAYMENTS.**

6 (a) IN GENERAL.—Section 513 of the Internal Reve-
7 nue Code of 1986 (relating to unrelated business taxable

1 income) is amended by adding at the end thereof the fol-
2 lowing new subsection:

3 “(i) TREATMENT OF CERTAIN SPONSORSHIP PAY-
4 MENTS.—

5 “(1) IN GENERAL.—The term ‘unrelated trade
6 or business’ does not include the activity of soliciting
7 and receiving qualified sponsorship payments with
8 respect to any qualified public event.

9 “(2) QUALIFIED SPONSORSHIP PAYMENTS.—
10 For purposes of this subsection, the term ‘qualified
11 sponsorship payment’ means any payment by any
12 person engaged in a trade or business with respect
13 to which there is no arrangement or expectation that
14 such person will receive any substantial return bene-
15 fit other than—

16 “(A) the use of the name or logo of such
17 person’s trade or business in connection with
18 any qualified public event under arrangements
19 (including advertising) in connection with such
20 event which acknowledge such person’s sponsor-
21 ship or promote such person’s products or serv-
22 ices, or

23 “(B) the furnishing of facilities, services,
24 or other privileges in connection with such event
25 to individuals designated by such person.

1 “(3) QUALIFIED PUBLIC EVENT.—

2 “(A) IN GENERAL.—For purposes of this
3 subsection, the term ‘qualified public event’
4 means any event conducted by an organization
5 described in paragraph (3), (4), (5), or (6) of
6 section 501(c) or by an organization described
7 in section 511(a)(2)(B) if such event is—

8 “(i) a public event the conduct of
9 which is substantially related (aside from
10 the need of the organization for income or
11 funds or the use it makes of the profits de-
12 rived) to the exempt purposes of the orga-
13 nization conducting such event, or

14 “(ii) any public event not described in
15 clause (i) but only if such event is the only
16 event of that type conducted by such orga-
17 nization during a calendar year and such
18 event does not exceed 30 consecutive days.

19 An event shall be treated as a qualified public
20 event with respect to all organizations referred
21 to in the preceding sentence which receive spon-
22 sorship payments with respect to such event if
23 such event is a qualified public event with re-
24 spect to 1 of such organizations; except that a
25 payment shall be treated as not being from an

1 unrelated trade or business by reason of this
2 sentence only to the extent that such payment
3 is used to meet the expenses of such event or
4 for the benefit of the organization with respect
5 to which such event is a qualified public event
6 (determined without regard to this sentence).

7 “(B) EXEMPT PURPOSE.—For purposes of
8 subparagraph (A), the term ‘exempt purpose’
9 means any purpose or function constituting the
10 basis for the organization’s exemption under
11 section 501 (or, in the case of an organization
12 described in section 511(a)(2)(B), the exercise
13 or performance of any purpose or function de-
14 scribed in section 501(c)(3)).

15 “(4) REGULATIONS.—The Secretary shall pre-
16 scribe such regulations as may be necessary to pre-
17 vent the avoidance of the purposes of this subsection
18 through the use of entities under common control.”

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply to events conducted after De-
21 cember 31, 1992.

22 **SEC. 2. TREATMENT OF CERTAIN AMOUNTS RECEIVED BY**
23 **OLYMPIC ORGANIZATIONS.**

24 In the case of a qualified amateur sports organization
25 described in section 501(j)(2) of the Internal Revenue

1 Code of 1986, or an organization which would be so de-
2 scribed but for the cultural events it organizes in connec-
3 tion with national or international amateur sports com-
4 petitions—

5 (1) for purposes of section 512(b) of such Code,
6 the term “royalty” includes any income received (di-
7 rectly or indirectly) by such organization if a sub-
8 stantial part of the consideration for such income is
9 the right to use trademarks, designations, or similar
10 properties indicating a connection with the Olympic
11 Games to be conducted in 1996 or related events or
12 the participation of the United States Olympic Team
13 at such Games or events, and

14 (2) nothing in section 514 or 512(b) of such
15 Code shall be construed as treating any amount
16 treated as royalty under paragraph (1) as an item
17 of income from an unrelated trade or business.

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