§ 1.513–5 Certain bingo games not unrelated trade or business.

(a) In general. Under section 513(f), and subject to the limitations in paragraph (C) of this section, in the case of an organization subject to the tax imposed by section 511, the term unrelated trade or business does not include any trade or business that consists of conducting bingo games (as defined in paragraph (d) of this section).

(b) Exception. The provisions of this section shall not apply with respect to any bingo game otherwise excluded from the term unrelated trade or business by reason of section 513(a)(1) and §1.513–1(e)(1) (relating to trades or businesses in which substantially all the work is performed without compensation).

(c) Limitations—(1) Bingo games must be legal. Paragraph (a) of this section shall not apply with respect to any

Example 11. W, a symphony orchestra, maintains a Web site containing pertinent information and its performance schedule. The Music Shop makes a payment to W to fund a concert series, and W posts a list of its sponsors on its Web site, including the Music Shop’s name and Internet address. W’s Web site does not promote the Music Shop or advertise its merchandise. The Music Shop’s Internet address appears as a hyperlink from W’s Web site to the Music Shop’s Web site. W’s posting of the Music Shop’s name and Internet address on its Web site constitutes acknowledgment of the sponsorship. The entire payment is a qualified sponsorship payment, which is not income from an unrelated trade or business.

Example 12. X, a health-based charity, sponsors a year-long initiative to educate the public about a particular medical condition. A large pharmaceutical company manufactures a drug that is used in treating the medical condition, and provides funding for the initiative that helps X produce educational materials for distribution and post information on X’s Web site. X’s Web site contains a hyperlink to the pharmaceutical company’s Web site. On the pharmaceutical company’s Web site, the statement appears, “X endorses the use of our drug, and suggests that you ask your doctor for a prescription if you have this medical condition.” X reviewed the endorsement before it was posted on the pharmaceutical company’s Web site and gave permission for the endorsement to appear. The endorsement is advertising. The fair market value of the advertising exceeds 2% of the total payment received from the pharmaceutical company. Therefore, only the portion of the payment, if any, that X can demonstrate exceeds the fair market value of the advertising on the pharmaceutical company’s Web site is a qualified sponsorship payment.

[T.D. 8991, 67 FR 20438, Apr. 25, 2002]
§ 1.513–6

Bingo game defined. A bingo game is a game of chance played with cards that are generally printed with five rows of five squares each. Participants place markers over randomly called numbers on the cards in an attempt to form a preselected pattern such as a horizontal, vertical, or diagonal line, or all four corners. The first participant to form the preselected pattern wins the game. As used in this section, the term bingo game means any game of bingo of the type described above in which wagers are placed, winners are determined, and prizes or other property is distributed in the presence of all persons placing wagers in that game. The term bingo game does not refer to any game of chance (including, but not limited to, keno games, dice games, card games, and lotteries) other than the type of game described in this paragraph.

Under section 513(e), the furnishing of a service listed in section 501(e)(1)(A) by a hospital to one or more other hospitals will not constitute unrelated trade or business—

(a) In general. Under section 513(e), the furnishing of a service listed in section 501(e)(1)(A) by a hospital to one or more other hospitals will not constitute unrelated trade or business if—

(1) The service is provided solely to hospitals that have facilities to serve not more than 100 inpatients,