

Association of Art Museum Directors
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The Association of Art Museum Directors (AAMD) comprises the chief executives of approximately 220 major art museums in the United States. The purpose of the association is to increase the contributions of art museums to society.

As the Senate Finance Committee takes up tax reform, AAMD urges it to approach the topic of Unrelated Business Income Tax (UBIT) with care and deliberation. Along with others in the charitable community, AAMD viewed with great concern certain provisions of the bill that emerged from the House Ways and Means Committee last year, especially those relating to the treatment of sponsorship payments.

The House bill provided that if a sponsorship payment exceeds \$25,000 for a single event, any use or acknowledgement of the sponsor's name or logo may only appear with, and in substantially the same manner as, the names of a significant portion of the other donors to the event. Whether the number of donors is a significant portion would be determined based on the total number of donors and the total contributions to the event, but in no event would fewer than two other donors be treated as a significant portion of other donors. Thus, a single business could not be listed as an exclusive sponsor of an event that generates more than \$25,000 in qualified sponsorship payments. Such a contribution would be treated as advertising income by the tax-exempt organization and subject to UBIT.

It is unclear whether non-corporate donors, such as foundations or government agencies could count towards the required total, as well as corporations. Regardless, subjecting the payment to tax would divert money from its intended philanthropic use. A charity would have to ask for more to get the same level of support it currently enjoys from such a sponsor. Current law already provides that UBIT is incurred any time the sponsor's product is advertised; sponsorship recipients may not provide qualitative information about the product, urge its purchase, or provide any information on how or where to purchase it. The mere acknowledgement of the size of a payment is no different from acknowledging the size of charitable gifts from individuals, which is standard practice for charities of every kind.

AAMD understands the wish to raise revenue, but this proposal was not fully thought through. It makes no sense to subject to UBIT a sponsorship whose acknowledgement simply consists of a larger logo. If the real wish was to target certain multi-million dollar transactions, it should have been much more tightly written. AAMD urges the Finance Committee not to adopt it in anything similar to its current form.