

CONTRIBUTIONS VS. ADVERTISING

THE BATTLE OF DEDUCTIONS



Charitable giving and business promotion often overlap—and that’s where the IRS loves to stir the pot.

You want to do good and get credit for it. **The question is: is your generosity a contribution or an advertisement?** The answer matters more than you might think.

WHY IT MATTERS

Both acts of giving—charity and sponsorship—are valuable. But when it comes to your tax return, they live on different sides of the deduction fence.

- **Charitable contributions** are deductible only if you itemize, and only up to IRS limits.*
- **Advertising and sponsorship** expenses are fully deductible as ordinary business expenses—as long as they meet the “ordinary and necessary” test.

That means with the right strategy, your generosity can also be a smart business move.

*Note: Per the OBBB, starting in 2026, you can take a \$2,000 deduction (married, filing jointly) for charitable donations, in addition to the standard deduction.

CONTRIBUTIONS: THE STRAIGHTFORWARD GIFT

A contribution is a simple donation to a qualified nonprofit. You write a check, they send you a receipt, and everyone feels warm and fuzzy inside.

The catch: contributions go under itemized deductions. If you take the standard deduction, you don’t get extra credit for giving — at least not from the IRS.

Example:

You donate \$500 to a local children’s charity. You get a thank-you letter but no advertising benefit. That’s a charitable contribution.

ADVERTISING (AKA SPONSORSHIP): THE GIVE-AND-TAKE

Now we're talking business. A **sponsorship** gives you exposure—your logo on a banner, your name on the golf hole, or a shoutout at the gala.

Because you're receiving a promotional benefit, it's **not** a charitable donation—it's an **advertising expense**, and it's 100% deductible as a business expense.

The IRS defines advertising as any message that "promotes a business, including use of slogans, price information, endorsements, or inducements to purchase." So if your company's name, logo, or contact info appears anywhere—congratulations, that's advertising.

THE TAX SHOWDOWN: CONTRIBUTION VS. ADVERTISING

CATEGORY	CONTRIBUTION	ADVERTISING
Primary Purpose	Support a qualified nonprofit	Promote your business
Deduction Type	Itemized	Business Expense
Deduction Limit	Subject to charitable contribution limits	Fully deductible (ordinary & necessary)
What You Get	A warm feeling	Exposure, brand recognition
Example	\$1,000 donation to a local charity	\$1,000 golf hole sponsorship with your logo

Tannery Tip: If there's any promotional element involved—signage, links, or public acknowledgment—classify it as advertising. It's more flexible and usually gives you the bigger deduction.

DOCUMENTATION STILL RULES

The IRS doesn't take your word for it—you need proof of both payment **and** **purpose**.

Keep:

- Receipts and acknowledgments from the organization
- Copies of event materials showing your logo or listing
- Notes about the business purpose or audience reached

This substantiation is what separates a deductible sponsorship from a disallowed "donation."

TANNERY PERSPECTIVE: BE GENEROUS, BUT BE SMART

Giving back should feel good—and when done strategically, it can also strengthen your brand and your bottom line.

Don't leave deductions on the table because you mis-categorized your generosity. Let us help you design a giving strategy that builds community goodwill and keeps your tax return squeaky clean.

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