

September 22, 2003

Linda Sanders
Little Miss Kickball International, Inc.
11219 Windsor Road
Corpus Christi, Texas 78410

Dear Linda:

As per our telephone conversation, the following is information that you and the various leagues need to be aware of regarding the organization's tax-exempt status. Please be aware that this is not an all-inclusive list.

1. Whenever the organizations receive a contribution of \$250.00 or more, they are required to provide a written receipt to the donor acknowledging the amount of the contribution and a statement that states that no benefits were provided to the donor in return for the contribution.
2. Whenever the organizations receive a contribution of \$75.00 or more, which includes a payment for something, such as a banquet meal, then the value of that meal must be provided to the donor in a written receipt.
3. Tax-exempt organizations can be subject to tax on unrelated business taxable income (UBTI). One source of income that is considered UBTI is advertising income. Whenever ads are sold for your programs, they are considered UBTI. These are ads sold to commercial enterprises/businesses. UBTI of \$1,000.00 or more must be reported on a separate tax return and will be subject to tax. Sponsor fees could also be considered advertising income if they advertise the sponsors product or service. Please be sure that your sponsor fees are not advertising the sponsors product or service.
4. Another possible source of UBTI is the concession stand income. This income is currently exempt from UBTI because it is done by voluntary labor. Should the work be performed by paid labor, it could be considered UBTI and be subject to tax. Please be aware that substantial UBTI could jeopardize your tax-exempt status.

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5. Anytime an organization pays an individual or partnership \$600.00 or more for services rendered, they are required to provide that individual or partnership a Form 1099 for the year. Payments to an individual for field maintenance is an example of services rendered. Normally payments to corporate entities are not required to be reported on a Form 1099, however one exception is to an attorney or for medical payments. So even if these entities are incorporated you must still provide them with a Form 1099.

Again, the above list is not all-inclusive, but are situations that could occur with the Little Miss Kickball leagues. Most of the above situations I had also previously discussed with Janie Lueckemeyer when she was the treasurer. Please call me if you have any questions.

Very truly yours,

COLLIER, JOHNSON & WOODS, P.C.
A Professional Corporation

Janie Vera

**Collier, Johnson
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February 8, 2007

Linda Sanders
Little Miss Kickball International, Inc.
11219 Windsor Road
Corpus Christi, Texas 78410

Dear Linda:

As per our telephone conversation, I have enclosed a copy of IRS Publication 598 regarding Tax on Unrelated Business Income of Exempt Organizations. As we discussed, your main concern is with the advertising on the annual state tournament programs.

1. As per chapter 3, page 6, qualified sponsorship payments are not subject to unrelated business income tax. Page 7 defines a qualified sponsorship payment as "any payment made by a person engaged in a trade or business for which the person will receive no substantial benefit other than the use or acknowledgment of the business name, logo, or product lines in connection with the organization's activities." It further states that "use or acknowledgment does not include advertising the sponsor's products or services," as a result this advertising would make the payment nonqualified and subject to tax.
2. Further down on page 7 under the heading of "Advertising," the publication states that "a payment is not a qualified sponsorship payment if, in return, the organization advertises the sponsors products or services."
3. The information on page 7 also contains an exception for periodicals. This states that "a payment is not a qualified sponsorship payment if it entitles the payer to the use or acknowledgment of the business name, logo, or product lines in the organization's periodical." It further defines a periodical. According to their definition of a periodical "it does not include material that is related to and primarily distributed in connection

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with a specific event conducted by the organization (for example, a program or brochure distributed at a sponsored event)." Since the program is for the annual tournament, the acknowledgment of the sponsor in the program would still be a qualified sponsorship, as long as there is no advertising of the product or services.

4. Any sponsorship payments that are considered advertising income are considered unrelated business income and thus subject to Federal income tax. A separate return would need to be filed to report this unrelated business income. Unrelated business income does not automatically disqualify you as a tax-exempt organization; however, substantial UBTI could jeopardize your tax-exempt status.

The advertising and sponsorship form provided by the East Brownsville clearly reflects the ability of the sponsors to advertise their products or services. This being the case, the sponsorship payments would be taxable. As a result, I do not recommend that such form be used. The soliciting of sponsors for the tournament should only be for qualified sponsorship payments. The sponsors should be made aware that no advertising of their products or services will be permitted.

Please do not hesitate to call me if you have more questions.

IRS Circular 230 Notice Requirement

This communication is not in the form of a covered opinion within the meaning of recently revised procedural requirements of IRS Circular 230 governing standards of tax practice before the IRS. Thus, we are required to inform you that this communication is not intended to and does not constitute an opinion as to any tax matter and cannot be relied upon by you or any other person for the purpose of avoiding penalties that may be imposed under any Federal tax law. Additionally, any tax advice contained in this communication may not be used to promote, market, or recommend a transaction to another party.

Very truly yours,

COLLIER, JOHNSON & WOODS, P.C.
A Professional Corporation

Janie Vera