

May 13, 2025

CLIENT ALERT

Name and Logo Royalties

On May 12, 2025, the House, Ways and Means Committee, introduced The One, Big, Beautiful Bill (“Bill”): [The-One-Big-Beautiful-Bill-Section-by-Section.pdf](#).

The Bill (Section 112025) would permanently require tax-exempt organizations to report income earned from the sale or licensing of their name or logo, including any trademarks or copyrights, as unrelated trade or business income. Consequently, this Bill would increase the amount of unrelated business taxable income reported by tax-exempt organizations, and the amount of tax paid. If enacted, the Bill would apply to tax years starting after December 31, 2025.

Background – Current Law

Congress intended for the unrelated business income tax be imposed on regularly carried on businesses unfairly competing with taxable businesses. Passive activities like royalty receipts were not considered to fit in this category and were therefore excluded. For decades, tax-exempt organizations have relied on this exclusion, allowing them to license their name or logo to third parties, free of the unrelated business income tax burden. The Bill would end this exclusion, subjecting tax-exempt organizations to a 21% tax on their name and logo sale and licensing income.

The Bill would impact income earned by tax-exempt organizations from various agreements, including affinity (e.g. credit card programs), merchandising, sponsorship, and all other name and logo sales or licensing agreements.

What Can Tax-Exempt Organizations Do

Tax-exempt organizations can oppose the Bill by joining lobbying efforts with trade associations and other groups, and by contacting their Congressional Representative to express their position on the Bill. This same proposal appeared in prior tax legislation (2017) and the tax-exempt community was successful in getting it removed from the final bill.

Tax-exempt organizations that do not have systems in place to track and manage income from the sale or licensing of their name or logo, should also consider:

- Implementing systems to identify contracts or agreements generating payments for name or logo use.
- Ensuring they can accurately attribute income from name or logo sales or licensing, especially when the income is received as part of a mixed revenue payment or income stream.
- Modeling future budgets and revenue targets to account for the potential impact of this Bill on future cash flow and expenses.
- Reviewing existing and future name and logo sale and licensing agreements with their legal counsel.

How Can We Help?

We will continue to monitor the bill, and help keep you informed. If you have any questions on royalty income, including current reporting requirements, and ways you can plan for the future, please reach out. We would be more than happy to help.

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