

Royalties Contribute to the Mission-Driven Work of Associations and Should Not Be Taxed

- Associations receive royalty income from passive activities such as licensing arrangements for the use of its name or logo. It is treated as passive income because the association is not actively involved in the marketing or administration of the product or service connected with the arrangement.
- Royalties are a significant source of non-dues revenue for associations that can be reinvested in education, skills training, standard-setting, research and other activities. Royalties also closely resemble other passive income for tax-exempt organizations – such as rent, interest and dividends – which may not be directly mission-related but are excluded from UBIT.
- Royalties should not be taxed when there is little service offered by the tax-exempt organization in return for the payment. Thus, we oppose the provision in the Senate tax bill that taxes royalty income as UBIT.
- Alternatively, we support modifying the Senate tax bill provision to ensure that royalties of a tax-exempt entity will not be subject to UBIT when 1) there is insubstantial service offered by the tax-exempt organization in return for the payment, and 2) when income generated from royalty agreements does not comprise greater than 20% of an organization's gross income.

American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE)

Atlanta, GA

ASHRAE is a non-profit association of about 56,000 members representing building system design and industrial processes professionals around the world. ASHRAE is a co-sponsor of the AHR Expo, a trade show for the HVACR industry, which is a forum for sharing new products, technologies, and ideas. This trade show, which started 86 years ago, is held concurrently with ASHRAE's Winter Conference, and ASHRAE's members benefit from both the conference and expo, as they often attend both programs. ASHRAE's logo is used at the AHR Expo, and ASHRAE receives royalties for its use.

These revenues are reinvested into ASHRAE's non-profit work and are used for member services, standards-development, research, skills training, education, and other activities. The Senate version of the tax bill would curtail these revenues by more than \$1 million, which would hinder our ability to support our members, and lead to reduced research for important issues like indoor air quality, human health, comfort and productivity, and alternative refrigerants.

Orthopaedic Research Society

Rosemont, Illinois

Royalties are provided to our 501c3 from the publication of our journal, the Journal of Orthopaedic Research, a journal that disseminates the important research done by our members and those in the field dedicated to improving the life of patients suffering from a musculoskeletal disease or injury. These conditions include: osteoporosis, osteoarthritis, arthritis, cartilage, meniscus, and ACL injuries, research being done in areas of pain - hip, knee, lower back, shoulder, hand, wrist, etc. Research being done for those suffering from cancer of the bone.

Research being done to keep people moving - Movement helps us all to avoid a host of other diseases. If we no longer receive these royalties it will detrimentally affect our ability to offer a forum for the presentation of this important research, and other educational opportunities to move the field forward. We are not for profits - doing work to benefit our country.

Electronic Security Association

Irving, TX

The Electronic Security Association (ESA) is a trade association that represents the electronic security and life safety industry, which serves to provide intrusion, fire and life safety protection for millions of homes, businesses and government buildings across the country.

ESA provides education, training, advocacy and other services to our members that also serve to foster economic growth, job creation and vital services. Royalty income helps ESA provide these services, such as the creation of a Spanish version of the ESA Certified Alarm Technician Level I course, a basic certification in the electronic security industry that is required in many states. ESA recognizes that English is not the first language of many skilled workers and with workforce development being a top priority for our industry, programs such as this are vital for our members, the public and for the economy. The course development costs for this one program exceeded \$48,000.

Another program that seeks to address workforce development within the electronic security and life safety industry is the ESA effort through public relations, communications, advocacy and social media to bring about greater awareness of career opportunities in this industry. Workforce development is a high priority and as a trade association that represents an industry with high-demand, high-skill jobs, ESA is at the forefront of expanding awareness of job opportunities and meeting our members workforce needs. Royalties are a small but vital source of revenue for organizations like ESA and taxing these royalties will diminish our effort to continue with programs that benefit our industry and the country.

We urge the Senate and House to reach a consensus on the tax bill that will leave current UBIT rules in place and help trade associations like ESA continue to do the kind of work that will help strengthen the economy with job creation.

Kentucky Automobile Dealers Association

Frankfort, KY

We are a very small state trade association with a very limited and finite dues base because of the industry we serve. However, our members have the expectation that we be able to provide the same support and services to our members that our much larger state counterparts are able to do with many more members and professional staff. The only way we are able to accomplish this, is with our affinity partners and the royalty income we derive as a result. Expansion of UBIT to include royalty income would be devastating to our association and would lead to a loss in staff, services and eventually members, making it more and more difficult for us to carry out our exempt mission and possibly lead to

the demise of the association leaving our members without representation in the state. The Senate must remove this provision from their tax bill.

Ohio Society of Association Executives Columbus, Ohio

By expanding UBIT, our mission and that of countless members will be negatively impacted by threatening the dollars we rely upon to offer educational and research initiatives to our membership. Nonprofits already operate on shoestring budgets, and UBIT expansion will only shrink these budgets further. We ardently denounce such action on behalf of our organization and all those operating in the state of Ohio.

Construction Specifications Institute Alexandria, VA

Exempt organizations are more limited in the ways they can generate capital to fulfill mission. Private investment opportunities are unavailable, traditional dues funding models are stressed, and increasing UBIT decreases our ability to offer content, programs, and standards necessary for self-regulation and to serve the public interest. Every dollar spent on calculating UBIT is one less dollar spent on making our country smarter, safer, and more resilient as these resources will be diverted to compliance and reserves for taxes. And each increase in UBIT is a disincentive to maintain or grow programs that serve the public. As it stands today, 1 out of every 3 dollars generated in advertising goes directly to taxes, and that \$140,000 could instead finance workforce development, training, and certification.

Air Conditioning Contractors of America (ACCA) Arlington, VA

This change would be extremely harmful, and would limit ACCA's ability to continue our fifty-year history of developing HVACR industry standards – recognized by the American National Standards Institute (ANSI) – that are widely accepted industry practices. Many of ACCA standards are included in national, state, and local building codes.

Independent Insurance Agents & Brokers of America, Inc. Alexandria, VA

A trade association that represents small businesses in the insurance and financial services sector offers a program that gives members affordable access to a strong e-signature solution. The purpose of the program is to help small businesses compete effectively against their larger counterparts that can design or negotiate their own e-signature solution. In 2017 there is a general expectation of the public that the purchase of insurance and financial services products can be done electronically and that modern service providers have access to effective e-signature solutions while doing business. This program is a member service that goes directly to the mission of the trade association to ensure the success of members by focusing on providing access to profitable markets, cost competitive products, advocacy, timely industry information and superior education programs. This member services that would be negatively impacted if royalty income from the program was considered UBIT.

Council of Administrators of Special Education

Warner Robins, GA

As the Council of Administrators of Special Education, we would either have to charge more for attendance at our conferences, offer less direct support to our members and units, and stop making as many site visits to our affiliates.

International Association of Campus Law Enforcement Administrators

Silver Spring, MD

IACLEA engages in real time information-sharing on threats to campus public safety agencies across the nation. We also provide training to our members and non-members on active shooter response, working with subjects experiencing mental health crises, civil disorder on campus, investigating campus sexual assaults, and compliance with the federal Clery Act. If we are taxed on royalties derived from co-branding our trainings, we will be forced to reduce training.

Plumbing Heating Cooling Contractors of California

Sacramento, CA

UBIT funds student recruitment and workforce development in the plumbing trade. Training and continuing education of plumbers is a core mission of our organization and one which is increasingly needed because 3 to 5 plumbers are leaving the industry (retiring) for every 1 joining the industry. UBIT funds student recruitment and workforce development in the plumbing trade; our training facility is both state- and federally-indentured.

The Institute of Electrical and Electronics Engineers Inc (IEEE)

Piscataway, NJ

If the UBIT expansion is passed and is effective beginning January 1, 2018, public imperative activities such as scholarships and fellowships, grants, awards and other similar activities planned for 2018 will have to be cut in order to meet our 2018 budget. For years after 2018, our organization will need to increase membership fees and fees for other program services in addition to cutting the budgets of public imperative activities.

Entertainment Services and Technology Association

New York, NY

Our association uses hundreds of volunteers to create American National Standards for the entertainment industry. These standards keep audience members, performers and crew members safe. The expansion of UBIT will significantly reduce our ability to continue administering this program and could cause us to eliminate it altogether. That means shows will get larger and more dangerous without any standards being written or maintained to increase safety and protect lives.