DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

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Dear :

This letter responds to your request of April 16, 2010 for general information relating to the federal income tax treatment of certain entities (including foreign entities) and foreign individuals (including athletes and employees) that may be temporarily present in the United States in connection with a future and a future (the "Competitions"). You have described the Competitions as being owned by and conducted under the auspices of , the world governing body of , and stated that the Competitions would involve the participation of regional and national , other events related to the athletic competition, service providers required to stage the Competitions, broadcasters, and other media.

You have informed us that some of the entities either already have exempt status under section 501(a) of the Internal Revenue Code because they are described in section 501(c)(3) or (c)(4) or will obtain such status before the Competitions. To the extent an entity has exempt status, it is generally exempt from federal income tax to the extent provided in subchapter F of chapter 1 of the Code.

In the case of a foreign entity that does not have exempt status, it generally will be subject to a net basis federal income tax on income that is "effectively connected" with the conduct of a "trade or business" within the United States. The determination of whether a foreign entity conducts a trade or business within the United States (and, if so, how much income is effectively connected with the conduct of such trade or business) is based on all the facts and circumstances. If a particular foreign entity is eligible for benefits under an income tax treaty to which the United States is a party, the entity may be exempt from federal income tax on "business profits" that are not

effectively connected with a "permanent establishment" in the United States.[1] In all cases, the foreign entity may be subject to a gross basis withholding tax on certain U.S.-source income of a passive nature, e.g., dividends or royalties. The withholding rate is 30% unless reduced by treaty.

Nonresident alien individuals (i.e., individuals who are neither U.S. citizens nor resident aliens) who perform services in the United States are generally subject to federal income tax on the compensation attributable to the services unless they perform their services for a foreign employer, are not present in the United States for more than 90 days during the taxable year, and do not receive compensation of more than $3,000. If a particular individual is eligible for benefits under an income tax treaty to which the United States is a party, the individual may be exempt from federal income tax under the treaty if he or she is here temporarily (e.g., fewer than 183 days in a 12-month period) and certain other requirements are satisfied. The rules vary by treaty and depend on whether the individual is an employee or an independent contractor. In the case of athletes and entertainers, treaties typically allow the United States to tax the individual's services income once it exceeds a specified dollar amount, without regard to how long the individual is in the United States. In all cases, the individual may be subject to a gross basis withholding tax on certain U.S.-source income (e.g., dividends or royalties) that is not attributable to services performed in the United States.

The IRS has a Central Withholding Agreement ("CWA") Program that allows nonresident alien entertainers and certain athletes who participate in athletic events in the United States to enter into advance agreements with the IRS and with a designated withholding agent as to how much tax will be withheld from their income. A CWA is for a specific series of events and takes into account projected expenses.

This letter has called your attention to certain general principles of the current law. It is intended for informational purposes only and does not constitute a ruling. See Rev. Proc. 2010-1, §2.04, 2010-1 I.R.B. 7 (Jan. 4, 2010).

If you have any additional questions, please contact or at .

Sincerely,

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Theodore D. Setzer
Deputy Associate Chief Counsel
(International)

[1] For the texts of most U.S. income tax treaties currently in force, see http://www.irs.treas.gov/businesses/international/article/0,,id=96739,00.html.