

Bulletin www.incentivefederation.org

**February 2017**

# 2017 Plans and Agenda

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| **Who does the Incentive Federation represent?**  The Incentive Federation is the only organization whose membership and leadership includes all of the industry’s national trade associations, as well as individual companies. It is under The Incentive Federation umbrella that the collective interests of the Incentive Marketing Association (IMA), the Promotional Products Association International (PPAI), The Incentive Research Foundation (IRF), and Society for Incentive Travel Excellence (SITE) are discussed, nurtured and advanced. |
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| **IFI Mission Statement**  **The Incentive Federation is dedicated to promote, protect and research the incentive field, encompassing recognition, promotional products and related promotions.** |

The IFI Board of Directors voted in 2016 to slightly scale back the Federation’s plans for 2017, choosing to focus on influencing decisions about specific provisions of the U.S. tax code that might favor the incentive industry. Given the new administration’s declared interest in reforming and simplifying both business and individual tax regulations, the Board believes the best use of its resources is to monitor tax reform efforts and other pertinent legal issues in 2017.

**The IRS Issues Legal Advice Regarding Customer Loyalty and Rewards Programs**

George Delta, IFI’s Legal Counsel, has provided his bi-monthly Legal Update for IFI members. The topic covered relates to customer loyalty and rewards programs, so if you sell, offer or manage those types of programs, George’s update offers some valuable information for you, your customers and especially the accounting professionals you rely on.

The IRS has recently issued Legal Advice setting forth its position that an accrual method taxpayer cannot account for the costs of redeeming points in its “hybrid coupon” customer rewards program under the Treasury rules that apply to “premium” coupons. This legal advice memorandum is important to companies that operate loyalty programs, because if their programs can meet the definition of a “premium” coupon, they would be allowed to deduct their reasonable estimated redemption costs from gross receipts with respect to sales with which they issue points. (The regulations in question are old, and they refer to trading stamps or premium coupons instead of their current equivalent, points).

In effect, if you can get the points issued under your loyalty program to meet the definitional requirements of "premium coupons," you can estimate and currently deduct your redemption costs.  Otherwise, you can only deduct the cost of points as customers redeem them.  Deduction upon redemption is the normal rule, so the IRS wants to limit the scope of what constitutes a "premium coupon."

For a more complete explanation of the IRS advice on rewards programs, click [here](http://www.incentivefederation.org/wp-content/uploads/2017/02/IF-Wash-Update-02.15.17-1.pdf).

**OSHA’s Criticism of Safety Incentive Programs**

The Incentive Federation’s home page at [www.incentivefederation.org](http://www.incentivefederation.org) includes a fairly detailed description of OSHA’s Safety and Health Program Management Guidelines that were issued in December 2016. Links are provided to review the guidelines and as well as explanatory memos from OSHA. The Federation filed formal comments opposing certain positions and skepticism the Occupational Safety and Health Administration has expressed in criticizing safety incentive programs. The Federation will continue to monitor OSHA’s guidelines and represent the industry’s position that incentive programs do work to help foster a productive and safe workplace.

**Spotlight on Incentive Industry Research**

**PPAI’s 2017 Consumer Study – Mapping Out the Modern Consumer**

This study confirms U.S. consumers view promotional products as an important role in advertising. Consumers like promotional products. Consumers keep promotional products. Consumers have spoken and they praise promotional products as the leading advertising vehicle for brands. The study finds that n**ine In 10 consumers remember branding on promotional products.**

In 2015, promotional products shared almost seven percent of the advertising market in the U.S. alone, at $21 billion; however, the medium is ranked highest by consumers across all generations as the most effective advertising vehicle.   
  
This is good news for promotional products, marketers and advertisers. Review the research study [here](http://www.incentivefederation.org/wp-content/uploads/2017/02/PPAI2017ConsumerStudyReport.pdf).

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**Questions, Concerns, Requests**

Please contact the Federation if you have any questions or learn of any issues you believe the Federation should be aware of. Since the Federation’s founding in 1984, its effectiveness in representing and protecting the industry with one voice has only been made possible through the financial support and active participation of industry organizations and companies.

Contact: Steve Slagle, IFI Managing Director, at [steves3309@gmail.com](mailto:steves3309@gmail.com) or 864-710-6739.