

What You Need to Know About Student Fundraising

Get the Facts About Booster Clubs to
Reduce the Risk of an IRS Audit



Do you help raise money for school activities such as soccer or dance to help these important programs thrive? Your involvement can be rewarding and make a big difference in the quality of the program. However, many individuals who are involved with fundraising for a volunteer or booster club are unaware of the related tax implications.

These clubs have come under intense scrutiny recently from the Internal Revenue Service, so it is important to know the applicable rules. Something as harmless-sounding as a raffle or charity game night could, in fact, create legal and tax problems.

Don't Buy the Myths!

Common assumptions, like the following examples about the laws for fundraising and booster clubs, can lead to trouble later on.

"We can form a charitable organization to raise funds for my child to play in a sport or activity. All money raised by my child is tax deductible to whoever donated it."

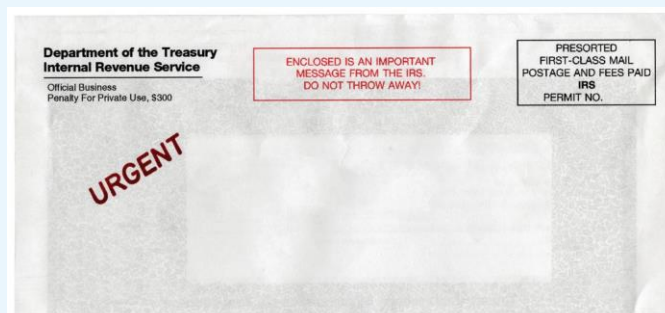
All money raised cannot be earmarked and must go to assist all those in the organization to be tax deductible.

"We do not have to be an exempt organization. We can just operate while our children are involved and then call it quits when they're done."

This is true as long as those contributing to the group do not expect to get a tax-deductible receipt and the group does not generate any profits.

"We are too small for anyone to care about. We just go about our business."

No organization is too small for the IRS to scrutinize or audit.



The Dos and Don'ts of Dues

A few general guidelines regarding membership dues:

DO avoid crediting amounts raised by a participant or other contribution toward that participant's dues requirement.

DO pay special attention to group dues policies and procedures (if the group has not done so) to ensure they comply with state and federal tax requirements.

DON'T encourage members to deduct the mandatory dues as a charitable deduction. Dues often will **NOT** qualify as a charitable contribution to the parties paying them.

DON'T require the payment of dues or fees as a condition of participation in activities without checking what state law allows. Many states have laws that prohibit the payment of dues or fees as a condition of participation in school-based activities or programs.



Frequently Asked Questions

Can we fundraise by conducting bingo or other game(s) of chance?

Maybe. You should review your state gaming laws to ensure you are in compliance with applicable laws. You may also need to register with the state regulatory body. It is extremely important to do your due diligence before conducting gaming activities.

Can my group raise funds by charging to advertise in our magazine?

Yes. However, advertising income is likely taxable as unrelated business income (UBI) — unless the volunteer or qualified sponsorship exception for UBI applies.

We are considering conducting a raffle to raise funds. Is there anything we should be aware of?

Yes. The raffle should be conducted by volunteers. If individuals are paid to conduct the raffle, then the proceeds may be taxable as UBI to the group. Federal and state requirements may include income tax reporting and withholding.

We are considering conducting an auction to raise funds. Is there anything we should be aware of?

First, an auction is considered to be a sale or exchange (see above re: sales tax issues); second, make sure that the auction revenue is properly bifurcated between special event revenue and contributions revenue; finally, make sure charitable contributions acknowledgements are not improperly issued to the highest bidders.

I volunteer as a bookkeeper for my group. Can I take a charitable contribution for the time I spend volunteering?

No. Donated services are not tax deductible as a charitable contribution. However, you may be able to deduct your out-of-pocket costs related to your volunteer services, such as mileage, supplies, software, etc.

Is it true that there is a minimum that I can charge a member if they do not fundraise? For example, if participants do not fundraise, can I charge them \$50 for gear and other expenses?

No. Forcing individuals to participate in fundraising events as a condition of benefiting from the group's activities raises concerns. Courts have consistently ruled that this type of earmarking confers a substantial and improper benefit on the participants (private benefit). Therefore, this practice could jeopardize the group's tax-exempt status.

Did You Know?

State or local sales taxes may apply to the revenue generated by a fundraising event. Check your state laws and guidelines before planning and conducting any fundraising events.