Education Support

American Dance

IRS Information for Booster Clubs

Submitted by: Martin HS Sundancers Booster Club, Arlington, TX

A mandatory meeting of booster club presidents was called by the principal of our high school last spring. At this meeting, our principal introduced two IRS agents, who then conducted the meeting. The information to be discussed detailed guidelines for tax-exempt organizations. Handed out was IRS publication 557. Additionally, other publications were distributed and copies of names and numbers which are listed below.

The most important fact discussed was the issue of "individual accounts." First, an explanation of what an "individual account " has meant for our organization in the past follows.

An individual account was set up in a particular girl's name so that drill team expenses incurred by her (absolutely not her parents, such as their own trip costs) could be paid for out of this account. The way the funds were allocated to this account depended upon how many times the parents worked a particular fundraiser for her. For instance, if her parent worked at the ballpark (Texas Rangers games at the stadium) one time, and if the ball park donated $50.00 to the drill team booster club for this, the money would be split 50-50, that is, $25.00 going into the girl's individual account and $25.00 going into the general fund for use by the entire team. Well, come to find out, this is not permissible according to IRS guidelines! Although many organizations have apparently been cited for this violation, until now, they have only been warned to "clean up their act" but have never been fined ($5000.00 per year).

Needless to say, neither our director nor our booster club wanted to be held responsible for any fines of this nature!

This ruling has caused our organization to approach fundraising as an unselfish effort for the team as a whole, putting aside each family's own individual interests. However, the IRS still will overlook individual fundraisers (i.e., each girl selling cookie dough) in which the girl keeps her own money earned. This distinction between types of fundraisers may seem obscure, but the endeavors involving participation by the group and the amount of money raised, as opposed to one individual at a time, seem to be the deciding factors.

The meeting also addressed the fact that tax-exempt status may be filed without the expense of a lawyer simply by using this publication. Changing the wording on page 15 in publication 557 from "corporation" to "association" produces a charter which can then be submitted to obtain exempt status recognition and also to obtain a tax ID number.

Concerning tax ID numbers, we were informed that the booster clubs were supposed to have their own numbers and not use our school's ID number for sales tax purposes. The state charges $500.00 to process the application for this. Also, if your organization files to become a tax-exempt corporation, liability is then removed from individuals within the organization.

Here are the publications from the meeting: IRS package 1023 (contents: Form 1023 and 872-c)

Form SS-4 (Application for Employer Identification Number)

Form 8718 (User Fee for Exempt Organization Determination Letter Request)

Publication 557 - "Tax-exempt Status for Your Organization"

Following are the names of the agents who attended our meeting and their phone numbers which were offered for assistance:

Colleen Lawson - 214.767.0162

Sandra Townley - 214.767.0172

For Texas Sales Tax Information/Exempt Entities: 1.800.252.5555

We hope the information above will be helpful. Also, individual school districts have particular guidelines that should be followed. Our director attended a meeting recently at which the IRS rules were explained this way: "All booster club funds are to be distributed equally among all members of the team." That's our district's summation of the whole issue!