



2015-2016

# Activity Fund Accounting Procedures Manual



**Dr. Mark Porterie**  
Superintendent of Schools

**Phyllis Geans, CPA, CFO, RTSBA**  
Assistant Superintendent of Business & Finance

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# 1 *Purpose of This Manual*

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**T**his manual was written to provide a set of standardized accounting procedures for the administration of Student Activity, Campus/Principal and Teacher/Employee Accounts in the facilities of the Port Arthur Independent School District. Principals, secretaries and other employees involved in the handling of these funds should become knowledgeable of the instructions prescribed in this manual.

The principals, teachers, and clerical staff are placed in a position of trust by parents and students when funds are placed in their care. Adequate measures to control these funds will assure parents and students that the funds are handled properly. Student Activity, Campus/Principal and Teacher/Employee Accounts may not be used to circumvent the controls established. Purchases must comply with the District's purchasing procedures and relevant statutes. These accounts should not include any revenues received from the sale of any school property. Revenues from the sale of school property should be sent to the Business Office for proper recording.

## **2** *Definition & Responsibility for Activity Funds*

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### **DEFINITION**

Activity funds are defined as funds consisting of resources received and held by the school, as trustee, to be expended or invested in accordance with the conditions of the trust. Specifically, they are funds accumulated from the collection of fees, donations, commissions, and school approved money-raising activities. Activity funds are used to promote the general welfare of the school and the educational development and morale of all students.

Each school can maintain an activity fund. The fund will encompass the care and administration of those activities and functions relating to student and faculty programs. The administrative plan of the fund is that income received for a specific function is disbursed only for that function. However, if unusual circumstances occur, the school principal will ensure that any liabilities of that function are liquidated; the remaining function assets are transferred to an account with the same general activity as the original fund.

Staff employees should not collect money for or perform PTA duties during working hours. Additionally, staff employees should not handle PTA financial affairs (GE Local).

### **RESPONSIBILITY FOR ACTIVITY FUNDS**

- A. The school principal is personally responsible for the proper collection, disbursement and control of all school activity fund money relative to the fund in their trust. This responsibility includes the safekeeping, proper accounting and administration of the money in the school, as well as disbursing money for any legal purpose within the guidelines or policies of the fund. The principal may designate administrative assistants, financial clerks, teachers and sponsors to aid with the various functions of the fund, such as club activities. All activity fund forms and reports are to be signed by the principal where indicated. The principal's designee may perform all of the procedures that require the principal's signature unless otherwise specifically stated in the manual.
  
- B. Monies raised or collected during a school year should be spent on the students responsible for contributing to the account. High activity account balances should not be carried from year to year **unless** there is a specific goal the club or organization is trying to attain, such as a marquee or playground equipment. Sponsors should be advised to spend the vast majority of funds earned during a school year on appropriate student expenses.

- C. The school principal is **NOT** responsible for funds collected, disbursed or controlled by parent or booster organizations. Parent and booster organization's funds **ARE NOT** to be handled or maintained in the school's activity fund. Parent and booster organizations are to maintain their own checking accounts and obtain a tax identification number from the Texas Comptroller's Office for their group.
- D. The financial secretary is responsible for the management and control of all documents necessary for the operation of the activity fund. The responsibilities include, but are not limited to:
1. Reading and understanding the District policies described in the Activity Fund Manual and applying those policies to the operation of the activity fund.
  2. Collecting and organizing all forms with appropriate signatures, account names and account numbers for cash receipts, disbursements, transfers, adjustments, and fundraisers.
  3. Accurately and promptly preparing bank deposits.
  4. Monitoring activity fund accounts to prevent overdrawn balances. Prepare the appropriate transfers when necessary to maintain positive balances.
  5. Reporting sales tax collected to the Business Office using the Report of Texas Sales Tax Form on a quarterly basis.
  6. Maintaining accurate and organized activity fund files. Documentation should be filed by month, in chronological order for checks, receipts and transfers and adjustments.
  7. Maintaining separate files, by school year, for fundraisers and donations. The fundraising file should contain the Fundraiser Project Request forms matched with the Fundraising Project Summary forms and a copy of the activity fund account statement. The donation file should contain the Donation Reports with any supporting documents.

# 3 *Activity Funds*

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## ACTIVITY FUND TYPES

There are three types of activity funds that are common for Texas public schools. For District reporting purposes, the activity funds are managed in various fund groups. The first is a clearing account (Campus/Principals Account) which is used for items such as school pictures, yearbooks, class rings, etc. These funds shall be used to promote the general welfare of each school and the educational development and morale of all students.

The second type of activity fund is the property of student groups, i.e. student council, pep squad, etc. The school district is required to provide stewardship by properly accounting for these funds. Decisions on the use of club funds are the concern of the specific student groups to whom the funds belong, as long as the decisions regarding the use of the funds do not conflict with Board policy and/or legal regulations or restrictions.

The third type, Teacher/Employee Accounts funds, are owned by the staff and utilized in this District. These funds are raised through vending and soft drink sales in teacher/employee lounge areas only. These funds should not be spent to benefit any individual or non-student group.

The three groups used by the Port Arthur Independent School District are:

### **A. Campus Activity Funds (CAF) (*Fund 461*)**

School funds are collected or contributed to the activity fund for the benefit of all students (not a specific club or organization) and for limited staff expenses. The principal and/or account sponsor controls the funds. These funds are raised locally at the school or donated to the school and include school office and departmental accounts. Campus activity funds are considered by TEA to be District general funds. The expenditure of these funds must comply with state and board policy and with District regulations.

### **B. Student Activity Funds (SAF) (*Fund 890*)**

Agency funds are monies collected by students for clubs or organizations from various District or school-approved fundraising activities. **These funds are controlled by student organizations.** Student funds may also be received as donations. The money is to be expended for the benefit of the students or the purposes for which the funds were collected or donated. Funds generated by specific student groups, not by the District or campus, and is the property of said groups, i.e.: student council, pep squad, etc. The school district is required to provide stewardship by properly accounting for these funds. Decisions on the use of club funds are the concern of the specific student groups to whom the funds belong, as long as the decisions regarding the use of the funds do not conflict with

Board policy and/or legal regulations or restrictions. The students make decisions about the expenditures of student activity funds.

### **C. Teacher/Employee Accounts (*Fund 891*)**

Teacher/Employee Accounts contain funds raised through vending and soft drink sales in teacher/employee lounge areas only. In other words, the profits from the sales in these machines are available for the special campus/department employees to use; therefore; the funds are owned by the staff and utilized in this District. These funds are accounted for as Teacher/Employee Funds (Fund 891) as stipulated by the TEA Financial Accountability Resource Guide. Principals or department heads may use these funds to supplement their budgeted District funds. These funds should not be spent to benefit any individual or non-student group.

The following is a list of some of the appropriate uses and prohibited expenditures from District funds. The list is not all-inclusive, but can serve as a guideline. Any questionable items should be verified through the District's Business Office.

## **CAMPUS ACTIVITY FUNDS (CAF)**

Campus/Principal Accounts contain funds raised at a particular campus which are managed by the principal or other campus administrators. These funds are accounted for as Campus Funds (Fund 461) as stipulated by the TEA Financial Accountability Resource Guide. Campus accounts must be spent to promote the general welfare of the school and the educational development of students. Principals may use these funds to supplement their budgeted District funds. Campus funds should not be spent to benefit any individual or non-student group.

### ***SUMMARY OF ACCEPTABLE /UNACCEPTABLE EXPENDITURES***

#### **Acceptable Uses of Campus/Principal's Funds**

- ✓ Organization, institutional, and individual memberships benefiting the District, campus or group of students. However, if an individual membership is necessary for students to participate in certain activities, then the expenditure is acceptable if a notation is made to document the necessity.
- ✓ Educational field trips, meals, and other activities planned for the benefit of students as recognition for accomplishments. The travel expenditures for faculty/staff who must accompany students on a trip are also acceptable provided that expenditures do not exceed the reimbursable limits established by the District's travel policies.
- ✓ Parent/student functions such as Open House, Parent Night, and Graduation. Refreshments & snacks for meetings where the school serves as host for related activities for students, staff, & patrons.
- ✓ Awards such as plaques, paperweights, certificates, school apparel that does not exceed \$25 per calendar year in accordance to IRS, in recognition of students, staff, or volunteers for service to the school or District.

- ✓ Reception expenditures related to above.
- ✓ Incentives for student involvement, participation, and achievement.
- ✓ Supplemental classroom instructional needs and general office supplies, including school furnishings and equipment which will benefit the general student body.
- ✓ Improvement of campus and site facilities such as plants, bulletin boards, signs, and flags.
- ✓ District approved conference attendance and travel costs for employees on school business, subject to travel allowances as established by the District.
- ✓ Refreshments and snacks for teacher in-service and staff development.
- ✓ Business meals for staff - for reasonable cost comparisons, the per diem amounts are at the current District rates. Appropriate documentation indicating who was at the meeting (sign-in sheet) and what was discussed (agenda) is strongly recommended by IRS.
- ✓ Emergency health or safety needs for students.
- ✓ In-District mileage reimbursement for faculty/staff members on school business at the current District rate per mile provided a travel log is kept and attached to the Check Request as documentation.
- ✓ Flowers, not to exceed \$75 for death, illness, or leave of absence from the campus employee only (i.e.: spouse, parent, sibling, or offspring).
- ✓ Replacement of student items that was lost while in the possession of a District employee.

### **Unacceptable Uses of Campus/Principal's Funds**

- ✗ Gift cards, gift certificates, or the like for District employees.
- ✗ Payment of an individual's organization dues or fees that do not provide a direct benefit to the District, campus or to a group of students including the payment of professional liability insurance.
- ✗ Reimbursement for luncheons or dinners while attending civic organization's meetings except to officially represent the school district or campus.
- ✗ Purchase of any gift for any person or organization; this includes gift certificates, retirement gifts, flowers, holiday gifts, and food gifts. Gifts of public funds are prohibited under Article III, Section 52 of the Texas Constitution.
- ✗ Extravagant or high-priced awards such as watches or other jewelry.
- ✗ Extra compensation or bonuses to employees whether it be in the form of cash or gifts.
- ✗ Payment of an individual's personal bills.
- ✗ Loans to employees, parents or students for any reason.
- ✗ Replacement of an individual's property that was lost, stolen, or damaged on the school or District's premises or while being used at a school or District function.
- ✗ Payment of expenses of spouses or other non-employees (i.e. travel expenses).

- ✘ Payment of District mileage to school employees who already receive a monthly travel allowance.
- ✘ Appreciation meals furnished to employees that exceed the reasonable limitations noted.
- ✘ Abuse of number of appreciation meals furnished to staff.
- ✘ Alcoholic beverages, tobacco products, controlled substances, firearms, and other weapons.
- ✘ Traffic citations, parking or toll charges, auto repairs.
- ✘ Appreciation and fundraising dinner tickets.
- ✘ Furniture for administrative offices.
- ✘ Meals or expenses relating to a Parent Teacher Association or Organization.
- ✘ Any expense which appears to benefit private individuals or entities in ways so out of proportion to the overall public benefit that they amount to a virtual donation or gift.
- ✘ Any other expenditure prohibited by federal or State law, TEA or Board policy, or PAISD regulations.
- ✘ Structural additions or improvements to the campus unless properly authorized by the Maintenance department.

*Note: Any equipment purchased with student activity funds or campus/principal accounts will become the property of the Port Arthur Independent School District and must be included in the fixed asset inventory of the District.*

## STUDENT ACTIVITY FUNDS (SAF)

Student Activity Funds consist of money that is received and held by the school as trustee. Individual student groups raise these funds and their disbursement is controlled by that group as long as the decisions regarding the use of funds do not conflict with Board policy and/or legal regulations or restrictions. Student activity funds are accounted for by the District as agency funds (Fund 890) in compliance with the TEA *Financial Accountability System Resource Guide*. The basic purpose for the collecting or raising and expending of activity funds must be for the direct benefit of the students or for the general benefit of the school. Within this scope, funds are to be used to finance activities that supplement the educational curriculum of the District. Fundraising activities shall in general contribute to the educational experience of pupils and shall not conflict with the instructional program. Student activity money shall be expended to benefit a bona fide student group that contributed to its accumulation. Fundraising activities should not be for the individual benefit of a student based on sales, but should be equally distributed to the students holding the fundraiser. A **bona fide student group** is one that has been properly approved by the campus principal and consists of elected student officers and a faculty sponsor.

The sponsor of each school organization is required to ensure that adequate financial records are maintained. These records, which are subject to audit, should include, at a minimum, the following:

- Monthly Detail General Ledger Report
- Sponsor's copy of cash receipt forms
- Sponsor's copy of invoices or disbursement vouchers
- Minutes of each meeting which detail, at a minimum, attendees, approval of expenditures, discussion of fundraising activities and approval of financial status.

### *SUMMARY OF ACCEPTABLE / UNACCEPTABLE EXPENDITURES*

#### **Acceptable Uses of Student Activity Funds**

- ✓ Supplies & materials to be used by student members of the group.
- ✓ Entry fees & other expenses associated with competitions & meetings once all possible resources have been considered.
- ✓ Travel expenses & meals consumed by the student members & their adult sponsors (travel disbursements must be documented by a PAISD travel & settlement voucher).
- ✓ Membership in related organizations.
- ✓ Charitable contributions & scholarships.
- ✓ Expenditures related to parties & other entertainment of student members.
- ✓ Equipment to be used by the student members of the organization.
- ✓ Flowers (not to exceed \$75) for death, illness, or leave of absence from the student's campus only.
- ✓ Light refreshments such as pastries & coffee for Open House, Parent Night, or

- other parent/student functions.
- ✓ Other reasonable expenditures approved by student membership of the group.

### **Unacceptable Uses of Student Activity Funds**

- ✗ Gift cards, gift certificates, or the like for District employees.
- ✗ Any purchases not approved by the student membership of the group.
- ✗ Any purchases which benefits adult sponsors & does not benefit student members.
- ✗ The use of the charter buses or other transportation that has not been approved by the PAISD Superintendent.
- ✗ Replacement of an individual's property that was lost, stolen, or damaged on the school or District's premises or while being used at a school or District function.
- ✗ Funds derived from the student body as a whole shall be expended in a manner benefiting all students. The management of student activity funds shall be in accordance with sound business practices, including established budgetary and accounting procedures.

## **TEACHER/EMPLOYEE FUNDS**

Teacher/Employee accounts contain funds raised through vending and soft drink sales in teacher/employee lounge areas only. In other words, the profits from the sales in these machines are available for the special campus/department employees to use; therefore; the funds are owned by the staff and utilized in this District. These funds are accounted for as Teacher/Employee Funds (Fund 891) as stipulated by the TEA Financial Accountability Resource Guide. Principals or department heads may use these funds to supplement their budgeted District funds. These funds should not be spent to benefit any individual or non-student group. To secure the deposit of public funds, all activity funds must be deposited with the District's banking institution. Additional bank accounts are strictly prohibited.

The following is a schedule of some of the appropriate uses and prohibited expenditures from District funds. The list is not all-inclusive, but can serve as a guideline. Any questionable items should be verified through the District's Business Office.

### ***SUMMARY OF ACCEPTABLE /UNACCEPTABLE EXPENDITURES***

#### **Acceptable Uses of Teacher/Employee Funds**

- ✓ Organization, institutional, and individual memberships benefiting the District, campus or group of students. However, if an individual membership is necessary for students to participate in certain activities, then the expenditure is acceptable if a notation is made to document the necessity.
- ✓ Educational field trips, meals, and other activities planned for the benefit of students as recognition for accomplishments. The travel expenditures for faculty/staff who must accompany students on a trip are also acceptable provided that expenditures do not exceed the reimbursable limits established by the District's travel policies.
- ✓ Parent/student functions such as Open House, Parent Night, and
  - Graduation. Refreshments & snacks for meetings where the school serves as host for related activities for students, staff, & patrons.
- ✓ Awards such as plaques, paperweights, certificates, school apparel that does not exceed \$25 per calendar year in accordance to IRS, in recognition of students, staff, or volunteers for service to the school or District.
- ✓ Reception expenditures related to above.
- ✓ Incentives for student involvement, participation, and achievement.
- ✓ Supplemental classroom instructional needs and general office supplies, including school furnishings and equipment which will benefit the general student body.
- ✓ Improvement of campus and site facilities such as plants, bulletin boards, signs, and flags.
- ✓ District approved conference attendance and travel costs for employees on school business, subject to travel allowances as established by the District.
- ✓ Refreshments and snacks for teacher in-service and staff development.
- ✓ Business meals for staff - for reasonable cost comparisons, the per diem amounts

are at the current District rates. Appropriate documentation indicating who was at the meeting (sign-in sheet) and what was discussed (agenda) is strongly recommended by IRS.

- ✓ Emergency health or safety needs for students.
- ✓ In-District mileage reimbursement for faculty/staff members on school business at the current District rate per mile provided a travel log is kept and attached to the Check Request as documentation.
- ✓ Flowers (not to exceed \$75) for death, illness, or leave of absence from the campus employee only. (i.e., spouse, parent, sibling, or offspring).
- ✓ Replacement of student items that was lost while in the possession of a District employee.

### **Unacceptable Uses of Teacher/Employee Funds**

- ✗ Gift cards, gift certificates, or the like for District employees.
- ✗ Payment of an individual's organization dues or fees that do not provide a direct benefit to the District, campus or to a group of students including the payment of professional liability insurance.
- ✗ Reimbursement for luncheons or dinners while attending civic organization's meetings except to officially represent the school district or campus.
- ✗ Purchase of any gift for any person or organization; this includes gift certificates, retirement gifts, flowers, holiday gifts, and food gifts. Gifts of public funds are prohibited under Article III, Section 52 of the Texas Constitution.
- ✗ Extravagant or high-priced awards such as watches or other jewelry.
- ✗ Extra compensation or bonuses to employees whether it be in the form of cash or gifts.
- ✗ Payment of an individual's personal bills.
- ✗ Loans to employees, parents or students for any reason.
- ✗ Replacement of an individual's property that was lost, stolen, or damaged on the school or District's premises or while being used at a school or District function.
- ✗ Payment of expenses of spouses or other non-employees (i.e. travel expenses).
- ✗ Payment of District mileage to school employees who already receive a monthly travel allowance.
- ✗ Appreciation meals furnished to employees that exceed the reasonable limitations noted.
- ✗ Abuse of number of appreciation meals furnished to staff.
- ✗ Alcoholic beverages, tobacco products, controlled substances, firearms, and other weapons.
- ✗ Traffic citations, parking or toll charges, auto repairs.
- ✗ Appreciation and fundraising dinner tickets.
- ✗ Furniture for administrative offices.
- ✗ Meals or expenses relating to a Parent Teacher Association or Organization.

- ✘ Any expense which appears to benefit private individuals or entities in ways so out of proportion to the overall public benefit that they amount to a virtual donation or gift.
- ✘ Any other expenditure prohibited by federal or state law, TEA or board policy, or PAISD regulations.
- ✘ Structural additions or improvements to the campus unless properly authorized by the facilities department.

*Note: Any equipment purchased with student activity funds or campus/principal accounts will become the property of the Port Arthur Independent School District and must be included in the fixed asset inventory of the District.*

# 4 *Fundraising*

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*A fundraiser is defined as a social function or activity held for the purpose of raising funds or receiving goods and/or services.*

## **General Policy Guidelines**

1. A complete list of sponsors is needed in the Business Office.
2. Campus Principal and Business Office approval is required prior to beginning any fundraiser.
3. The Principal has the discretion to limit the number of fundraisers by campus organizations.
4. All cash collection policies and procedures as previously discussed in this manual must be followed relevant to any fundraiser. See “Cash Receipts” section.
5. All cash disbursement policies and procedures as previously discussed in this manual must be followed relevant to any fundraiser. See “Cash Disbursements” section.

## **Fundraiser Procedures**

1. Prior to obligating the campus or organization to a fundraiser, the campus principal and Business Office should pre-approve all fundraisers. The sponsor should complete the Fundraiser Proposal Form for submission to the principal and Business Office for approval. Upon approval, the principal and sponsor will retain a copy and return the original to the Business Office.
2. Before committing to a fundraiser, the Sponsor and Principal should consider the following:
  - a. Is the reason for the fundraiser valid and appropriate?
  - b. Has the sponsor and/or club conducted fundraisers appropriately in the past?
  - c. Is the fundraiser expected to generate a reasonable profit?
  - d. Has the campus or student organization conducted too many fundraisers this year?
  - e. Is the fundraiser a raffle (an exchange of value for a chance to win)?  
***According to the Attorney General’s Opinion No. JM-1176, independent school districts and their related activity fund accounts are not qualified to hold charitable raffles.***
3. Once the Business Office has approved the fundraiser, the campus or student organization may proceed. The sponsor is responsible for maintaining accurate records of all sales activities and accounting for all items purchased from vendors

for resale.

4. Sponsors should take care to select a reputable company for the purchase of fundraising materials. In addition, the sponsor should maintain a good relationship with District vendors by submitting bills to the campus bookkeeper/secretary for payment in a timely manner.
5. Sponsors must keep control of the merchandise and money. Both should be secured at all times.
6. Sponsors should keep accurate records of buyers of purchased items and funds received, collect all money due to the activity account, and keep a detailed list of any amounts due from students. Sales details should be turned in to the campus secretary/bookkeeper with all funds collected. The principal should be notified if student obligations are not paid.
7. The sponsor should submit a Fundraiser Follow-Up Form to the principal and Business office within two weeks of the conclusion of the project. A copy should be sent to the campus financial/campus secretary.
8. The Principal and sponsor are responsible for following District policies and procedures related to cash receipts and disbursements for the fundraiser. All cash receipts must be documented on an individual receipt, tabulation form or product/ticket receipt form. Cash receipts should be submitted to the office on a daily basis. Purchases related to the fundraiser may not be made at any time from the fundraiser collections. A purchase order must be generated for all purchases. All invoices should be submitted for all disbursements.
9. Upon completion of the fundraiser, it is a best practice for the Principal and/or sponsor to review the profitability of the fundraiser.

# 5 *Cash Collection Procedures*

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1. For control purposes there should be at least two people involved in the collecting and depositing of cash. Therefore, all activity fund accounts will have a sponsor separate from the financial/campus secretary.
2. All monies collected will be deposited promptly into the activity funds account.
3. Cash is **never** to be held and spent on expenses; all disbursements must be made with a check as a result of a purchase order or direct pay request.
4. All money collected must be submitted in the same form as collected. A staff member is not to substitute his/her personal check for cash collected. No personal checks are to be cashed from the funds collected.
5. Sponsors are not to take money home or keep it unsecured in classrooms after hours. Funds should be counted by the sponsor, secured in a locked box or bag, and given to the financial/campus secretary for storage in a locked secure cabinet or safe until deposited at the bank. **Deposits should be made DAILY.**

## 6 *Cash Receipts and Deposits*

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1. All money collected must have some type of back up. The sponsor must provide a listing when receiving collections from multiple individuals and it is necessary to maintain a record of who has paid. Computer generated lists or hand written ledger sheets are acceptable, provided all pertinent information is furnished (date, names, number of items sold, amounts paid, and method of payment.)
2. If it is not feasible to record each individual payee but only the number of each item sold (such as sales at a table, tickets, etc.), a cash receipt voucher may be used detailing the beginning inventory, ending inventory, amounts sold and funds received. This form will be given to the campus financial/campus secretary along with funds collected.
3. Copies of individual receipts used when the purchaser requires a receipt for future reference such as yearbook sales, etc. may be used as back-up with deposits. Receipts should be pre-numbered and accounted for in a numeric sequence. Copies of the receipts including any voids should backup the deposit given to the campus financial/campus secretary. Merely providing the receipt numbers with no other support does not constitute appropriate supporting documentation for collections.
4. The sponsor should count cash collected to ensure the total agrees to the total collections per the Deposit Verification Form. It is helpful for the sponsor to provide the breakdown of cash by denomination. Amounts should be turned in daily to the campus bookkeeper or secretary.
5. The financial/campus secretary should count the funds in the presence of the sponsor, if possible, for verification to the sponsor's cash deposit form.
6. Upon verification of the cash count, the financial/campus secretary should prepare a bank deposit slip. The bookkeeper should provide the sponsor with a cash receipt for funds received for deposit. Sponsors should make sure that a receipt is returned to them. If the sponsor fails to receive a receipt or if the amount does not agree to their records, the financial/campus secretary should be contacted promptly.

# 7 *Disbursements from Activity Funds*

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1. All disbursements from activity funds should be in compliance with PAISD purchasing policies. Effort should be made to disburse funds by means of a PAISD purchase order with a PAISD approved vendor. All questions regarding approved vendors and the purchase order process should be directed to the PAISD purchasing department.
2. Reimbursement payments are discouraged but if they cannot be avoided, it will require acceptable documentation: vendor's original invoices and/or sales receipts or cash register tapes. Balance due statements, copies, and credit card slips that only show a total are not acceptable because the items do not provide appropriate detail.
3. The sponsor should provide the appropriate documentation to the bookkeeper/secretary when submitting invoices for payment. The original vendor invoice must be submitted. Invoice copies and vendor statements of the balance due are not acceptable forms of documentation. If disbursement is from a student activity account, a copy of the club minutes detailing the approval of purchase, those present and signed by the club president or designee is required. The bookkeeper/secretary will maintain this documentation.
4. Disbursements for campus activity funds require principal approval.
5. All requests for payments must be submitted in a timely manner. Late payments to vendors reflect on the entire school district and could result in late payment fees or interest charged to the account. Texas Government Code Chapter 2251 requires the District to pay vendors within 31 days of the later of: the date the goods are received; the date of performance of the service; or the date the invoice is received by the school district.
6. All payments are to be made by check. No payments can be made with cash withheld and not deposited into the activity account.
7. Payments to District employees must be made through the PAISD Payroll department. Cash payments should never be made to employees from the activity fund for services rendered, extra-duty, or overtime.
8. People or companies who are not District employees and are paid for services provided to an activity fund account must be identified as independent contractors. Payments to contractors will be reported to the IRS and a form 1099 will be issued to the contractor if yearly amounts paid are over \$600. An IRS form W-9 indicating the taxpayer ID must be obtained and forwarded to Purchasing Department before the contractor can be paid.

9. Sponsors are responsible for communicating with the bookkeeper before committing to any contracted service. The secretary will determine if a contract is required, and if the vendor is active in the Munis system. Contracts should be forwarded to the Principal for review and signature. A copy should be sent to the Purchasing Department.

**Contracted Services may include:**

- Catering/banquet services
  - Rentals: cars, vans, buses, costumes, facilities
  - Presenter/Performer including disc jockeys, seminar and workshop speakers, etc.
  - Custom services: monogramming, sewing, choreography, custom t-shirts, etc.
  - Lodging, transportation, meals and miscellaneous costs associated with travel for individuals performing a service must be included in their fee and treated as a contract service.
10. Provisions under Article 21.023 of the Federal Statutes provide tax exemption to the school district. PAISD is entitled to an exemption only on items purchased that relate to the educational process. The Texas Sales and Use Tax Exemption Certificate must be presented each time a purchase is made. The Certificate can be obtained from the Purchasing Department. (*See page 61 of this manual*)
  11. Purchases by individual members, teachers, or coaches of classes or teams do not have exemption from sales tax even though they are connected with the school or a school organization. Examples of these types of purchases are cheerleaders purchasing their own uniforms, athletic team members purchasing their own jackets, or science students purchasing a science board.
  12. **Booster clubs, PTAs, and other associated groups may not use the District's tax exemption certificate or employer ID number.** By law, these groups must obtain their own tax exemption status and employer ID number. Sponsors should never give these groups the District's ID number.

**A Quick Reference Guide is located on pages 33-36 of this manual.** It was created for principals/sponsors to provide guidance on allowable/non-allowable expenditures from general operating, campus activity, and student activity funds. The list is not all-inclusive and should be used as a guideline.

# 8 *Sales Tax Collections and Payment*

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Funds received and deposited into activity funds from the sale of materials or services must be analyzed to determine if the sale is subject to the collection and remittance of State sales tax. All sales, both taxable and non-taxable, must be reported to the state.

PAISD accounting will report sales and remit the tax to the state on a quarterly basis. A taxable sale is defined as the transfer of title or possession of tangible personal property for consideration (usually money) or the performance of a taxable service for consideration. Schools must collect sales tax on all sales that are not specifically exempt.

**For example, sales tax must be collected on:**

- a. School purchased supplies sold directly to students including athletic equipment and physical education uniforms;
- b. Fees for materials when the end product becomes a possession of the student;
- c. Student publications such as yearbooks and football programs;
- d. The sale of a school newspaper if the sales price per copy exceeds \$.75 per issue;
- e. School rings (unless acting as an agent for the vendor and the vendor is collecting and remitting sales tax);
- f. Books sold at student book fairs (unless acting as an agent for the vendor and the vendor is collecting and remitting sales tax); and
- g. Charges to the general public for parking.

**Schools are not required to collect taxes on the following:**

- a. Fees and admission tickets;
- b. Student club membership fees;
- c. Parking permits and fees charged to students, faculty, or staff for parking (Rule 3.315);
- d. Sales of food or soft drinks that are:
  1. Sold and served during the regular school day
  2. Sold by a person younger than 19 years of age who is a member of an organization devoted to the exclusive purpose of education, and groups associated with public or private elementary or secondary schools as part of a fund-raising drive sponsored by the organization for its exclusive use.

In some fundraising activities, the school group is merely acting as a sales agent for the vendor. Tax must be collected as part of the sale and remitted to the vendor. The vendor then remits the sales tax to the State Comptroller. The school would not report this activity as a sale since it is reported by the vendor.

Sponsors must report taxable sales and collection of sales tax to the financial/campus secretary. The sales tax rate is 8.25% (6.25% State and 1% Local - City of Port Arthur and .50% economic development and .50% community development).

**When imposing sales tax the school has the option of:**

1. Adding the tax to the selling price of the item. If the selling price were \$1.00, the school would collect \$1.08 from the buyer.

OR

2. Absorbing the tax in the selling price of the item. If total sales were \$100.00 including tax, the organization would divide the total sales by 1.0825 to find taxable sales or \$92.38. Multiply total sales by .0825 to find sales tax to be remitted of \$7.62.

## TAXABLE SALES

State and local sales taxes shall be imposed and collected on all sales for:

Agenda Books	Magazine - Subscriptions less than 6 months
Agricultural Sales Magazines - When sold individually	Musical Supplies - Recorders, reeds
Artistic - CDs, tapes, videos	Parts - Career & technology classes (not to include products used in Cosmetology)
Art - Supplies and work of art	Parts - Upholstery
Athletic - Equipment and uniforms	PE - Uniforms, supplies, athletic equipment (sold by school to students)
Auction items sold	Pennants
Automotive - Parts and supplies Band-equipment, supplies patches, badges, uniform sales and rental	Pictures - School, group (if school is the seller)
Book Covers	Plants - Holiday greenery and poinsettias
Books - Workbooks, vocabulary, library, author (when we are the seller)	Rentals - Equipment of any kind
Book Fairs - All books sold	Rentals - Uniforms of any kind, towels
Brochure Items	Repair to tangible personal property (i.e.: computer repair, house remodeling)
Calculators	Rings and other school jewelry
Calendars	Rummage, yard and garage sales
Candles	Safety Supplies
Car - Painting, pin striping	School publications - Athletic programs, posters
Clothing - School, club, class, spirit	School Publications - Brochures
Computer - Supplies, mouse pads (unless >six month subscription)	School Publications - Magazines
Cosmetology products sold to customers	School Publications - Newsletters, newspapers (generally are not sold)
Cups - Glass, plastic, paper	School Publications - Reading books
Decals	School Publications - Sheet music, hymnals
Directories - Student, faculty	School Publications – Student yearbooks, workbooks
Drafting-supplies	School Store - All items (except food)
Family and Consumer Science supplies and sewing kits	Science - Science kits, boards, supplies
Fees - Copies, printing, laminating	Spirit items

Flowers - Roses, carnations, arrangements	Stadium seats
Greeting Cards	Stationary
Handicrafts	Supplies - Any sold to students
Horticulture Items	Uniforms - Any type to include PE, dance team, drill team, cheerleaders, athletic, club shirts
Hygiene Supplies	Vending - Pencils and other non-edible supplies when the school services the machine
Identification Cards - When they are sold to the entire student body (not just the fine for a lost ID)	Woodworking Crafts - Entire sales to include parts and labor
Locks - Sales and rentals	Yard signs

### NON - TAXABLE SALES

The following sales are tax-exempt:

<b>Athletic equipment and physical education uniforms purchased by the school</b>
<b>Vending machine sales, ice cream, coke and candy (when sold during a regular school day)</b>
<b>Admission tickets, fees, etc.</b>
<b>There is no sales tax on any type of admission ticket, fee or service</b>
<b>Soft drinks and food items (when sold by students for raising funds)</b>
<b>Meals, soft drinks and food items sold in the cafeterias and teachers' lounge</b>
<b>Car Washes</b>

## 9 *Tax-Free Days*

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Each bona fide chapter is permitted TWO tax-free sales days per CALENDAR year.

**A bona fide chapter is a group that must be organized for some business or activity other than instruction or a participatory group.** Essentially, any student group that is recognized by the school and is organized by electing officers (not just participatory captains), holding meetings, and conducting business is a bona fide chapter of the school. Groups meeting for classroom instruction or team sports are not categorized as bona fide chapters and do not qualify for the tax-free day sales.

For example:

- The school district qualifies for a tax-free day.
- The school-wide fundraiser qualifies for a tax-free day.
- The Basketball club qualifies, but the basketball team does not.
- The Cheerleader Club qualifies, but not the cheerleader team.
- The Debate Club qualifies, but debate teams and classes do not.
- The Senior Class qualifies, but not one particular class that has seniors in it.
- Collection and remittance of state sales tax is not required on qualified sales made during each one-day period. One day is defined as a consecutive 24-hour period.

Items sold after the completion of the one-day sale are taxable. If items are pre-sold, such as yearbooks, items delivered from the vendor within one 24-hour period are nontaxable.

Items sold after the completion of the one-day event are taxable. However, tax-free orders for merchandise can be taken for more than one day, as long as the merchandise is all delivered on the same day and the money has been collected. Information and clarification regarding all State and local sales tax statutes may be obtained from the Business Office.

# 10 *Recordkeeping Requirements*

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All records such as receipt books, deposit slips, check requests, purchase orders, sales records, cash reconciliation forms, etc., must be kept in an orderly fashion and retained for audit purposes for a total of seven years. Activity funds may be audited by the District's internal or independent auditors and Business Office staff. All records of the sponsors and secretaries or bookkeepers are subject to audit and must be made available upon request.

## **RESPONSIBILITIES**

All campus personnel including principals, campus/financial secretaries, sponsors and faculty will be held responsible for any campus and student activity funds entrusted to them. **The responsible party will reimburse the Club Account for money (or property purchased with student activity funds) which is lost due to carelessness, fraud, or theft due to carelessness.**

**The Principal** is responsible for the overall administration of the Student Activity Campus and Teacher/Employee Accounts including the bookkeeping, monthly reporting and compliance with the policies and procedures manual. The principal will approve all fundraising activities in advance.

Each campus that handles Student Activity Funds must have a safe available for use to safeguard any funds that are deposited with the campus/financial secretary. The safe should be large enough that it can be bolted to the floor for added security if possible and it should not be visible to the public eye if possible.

**The Financial/Campus Secretary** (or designated employee) is responsible for the following:

1. Maintaining the accounting records as required in the policies and procedures manual;
2. Issuing checks when properly authorized by the principal.
3. Receiving money and issuing a receipt;
4. Preparing deposit bag to be picked up by mail room supervisor/school Messenger;
5. Posting all transactions on a daily basis;
6. Following up on problem items as stated by the Student Activity Funds.

The Campus/Financial Secretary will advise the principal of situations where faculty sponsors continue to disregard required procedures. Due to internal controls, the campus/financial secretary (designated employee) should not participate in the collection of funds from fundraising activities. Campus/financial secretaries are not to accept gifts

from sponsors or vendors. It is their responsibility to notify the Principal if a gift is received.

**The Faculty Sponsor** of a student activity group is responsible for safeguarding and accounting for all student activity funds entrusted to him/her. It is the obligation of the faculty sponsor to follow the procedures as outlined in this manual. This includes maintaining detailed financial records and maintaining a positive balance in the respective account at all times.

The official sponsor (administrator, counselor, or teacher) should be cognizant of all the account activity and should sign off on all check requests and deposits.

**PAISD Business Office** is responsible for maintaining and updating these procedures and guidelines for activity funds, providing training, processing requests for payments, and reviewing the activity of the funds to ensure adherence to procedures and guidelines.

**Independent auditors** will include activity funds in the annual independent audit of the District's financial records.

# 11 *Accounting for Fundraising Activities*

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*Only qualified fundraising companies can be utilized by the campus/student activity funds.*

Fundraising is an organized activity to raise funds for an organization or campus. Fundraisers should include a service or product. **Campuses are not allowed under Texas Law to conduct raffles, bingo, and other games of chance.**

All fundraising activities involving a vendor or requiring public solicitation must first be approved by the Principal. Under no circumstances should a campus or organization enter into agreements or advertise an event until approvals from the Principal has been received.

Sponsors who do not properly manage their activities and have large monetary amounts outstanding will not be allowed to conduct subsequent fundraising activities.

Within one month of the close of the activity, the fundraising activities should be recapped and a summary submitted to the Principal. The recap should detail the total receipts and expenditures of the sale and provides a section to detail lost, damaged or returned products. Monies which are uncollected due to the failure of a student to remit funds should be detailed, too. These records should be maintained by the campus so that the monies can be collected at registration or prior to graduation (if appropriate).

# 12 *Miscellaneous Activity Fund*

## *Suggested Guidelines*

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### **ALCOHOLIC BEVERAGES**

The purchase of alcoholic beverages with school funds is strictly prohibited.

### **AWARDS**

At certain times during the school year it may be necessary to reward a student or group of students for their achievements (honor roll, perfect attendance, etc.). The principal of a school should exercise caution when rewarding students for an activity that could be associated with the UIL to ensure compliance with UIL rules and regulations. It is suggested that students participating in fundraising activities may be awarded a maximum of \$50 for top sales.

### **BENEVOLENCE/SOCIAL FUNDS**

Social funds are defined as funds generated or contributed solely by school personnel to be utilized and expended at the school's discretion. All expenditures for hospitality, condolence, or any other purpose for the sole benefit of the school personnel shall be paid out of social funds.

### **BENEVOLENCE USING CAMPUS/PRINCIPAL'S FUNDS**

There are specific criteria that must be adhered to when using these funds. Principals may at his/her discretion use funds from the campus/principal's account to purchase flowers in the event of a campus employee's or campus student's death.

At no time should club activity funds or budgeted monies be used for this purpose.

Specific requirements are listed below:

- ✓ Must be related to the death of a campus employee or campus student (expenditures for spouses, children, siblings, parents or other relatives or any other purpose shall be paid out of social funds)
- ✓ Must be limited to purchases of flowers, plants or other similar expression of sympathy
- ✓ Purchase should be limited to \$75

Expenses explicitly prohibited are the following:

- ✗ Cash or gift cards
- ✗ Food
- ✗ Contributions to organizations in lieu of flowers (American Cancer Society, etc.)

## **CAFETERIA DEPOSITS**

On a daily basis, the cafeteria manager and cashier will bring the daily lunchroom deposit to the campus office. This deposit must be in a tamper evident bank bag in order to be accepted by the business agent. The deposit will be stored in the vault for safekeeping until it is picked up by the armored car courier.

## **CASH LOSS**

The student activity funds sponsor will be held responsible for any student activity fund entrusted to them. The sponsor will reimburse the student organization for any money which is lost due to carelessness, theft, fraud, or failure to follow established procedures.

In the event of a cash loss/theft notify the:

- Campus Principal
- Assistant Superintendent for Business & Finance
- Comptroller

## **FACULTY EXPENDITURES**

Activity funds are generated by the student body. As such, expenditures for the faculty (refreshments, t-shirts, etc.) should be limited and discouraged. Budgeted funds may not be used for this purpose.

The principal may, at his/her discretion, provide refreshments for a faculty meeting and may assist with the expenditures for a faculty or year-end gathering. At no time should budgeted monies be used for this purpose.

## **FUNDRAISERS**

Under no circumstances should campuses or organizations participate in door-to door solicitation, donation campaigns of any kind (examples: formal solicitations, letter campaigns, "can shakes", etc.) nor enter into agreements with solicitation firms. Campuses are not allowed under Texas Law to conduct raffles, bingo, and other games of chance.

## **GIFT CARDS**

### **Unacceptable Uses**

- ✗ Appreciation gifts for employees
- ✗ Gifts to individuals for services performed
- ✗ Grant funds cannot be used to purchase gift cards
- ✗ Benevolence and retirement gifts using the Principal's Fund

### **Acceptable Uses**

- ✓ Student Recognitions/awards (**\$50 maximum**)

Payments and gifts to employees are not permitted from the student activity fund. Purchase of gifts for special occasions, e.g. baby showers, retirements, birthdays, should be purchased using the Benevolence/Social Funds.

## **PERSONAL CHECK CASHING**

Employee personal checks may not be cashed or substituted for cash collections.

## **REFUNDS**

All refunds for students under eighteen (18) years of age for tuition, textbooks, etc., must be generated on a school check payable to the student's parent or legal guardian. Otherwise, a refund check will be made payable to the person to be reimbursed. Cash refunds from receipted monies are not allowed.

## **RETIREMENT GIFTS USING CAMPUS/PRINCIPAL'S FUNDS**

There are specific criteria that must be adhered to when using these funds. Principals may at his/her discretion use funds from the campus/principal's account to purchase retirement gifts for a campus employee.

At no time should club activity funds or budgeted monies be used for this purpose.

Specific requirements are listed below:

- ✓ Must be a campus employee
- ✓ Must limit purchases to flowers, plants, plaques or other gifts of appreciation
- ✓ Purchase should be limited to \$75

Expenses explicitly prohibited are the following:

- ✗ Cash or gift cards
- ✗ Contributions to an organization in the employee's name (American Cancer Society, etc.)

## **SCHOLARSHIPS**

If a club wishes to donate a portion of their ending balance to the scholarship fund, the officers and sponsors of the organization must submit a signed request to the principal. The funds will then be transferred to the scholarship account.

## **1099 REQUIREMENTS**

In order to ensure that Port Arthur Independent School District properly reports all payments to the IRS, a copy of all supporting documentation (personal services agreements, check copy) must be received by the Accounting Department for all contracted services performed by a private individual or company. The personal services agreement must clearly indicate the individual's name and tax identification number so that the District can secure a W-9 form from the vendor. A W-9 form will be required for all vendors who provide a service (consultant, disc jockey, trophy sales, t-shirts). If in doubt, the campus should contact the Purchasing Manager for clarification.

## **SPOUSE'S EXPENSES**

Payments for expenses incurred by spouses are considered illegal gifts of public funds unless the spouse is representing the school district in an official capacity. Reimbursement for spouse expenditures must be received within 30 days.

## **PURCHASING PROCEDURES**

### **Unauthorized Purchases**

Please be reminded that the school district WILL NOT PAY for purchases (any commitment of District dollars) made unless a purchase order was issued first. It is vital that all staff be aware of this policy. **Any supplies/equipment/services obtained without a properly drawn and issued purchase order will be at the employee's expense.**

### **Purchase Approval and Munis Requisitioning System**

The school principal is fully responsible for all purchases requiring disbursement of activity fund monies. All purchases made with student activity funds must be made through the Munis online requisition system and must be approved in advance by the principal. Only approved vendors should be used. It is the responsibility of the requestor to use the appropriate budget code and to ensure sufficient funds are available in the school club's budget prior to initiating any purchasing action. All standard District purchasing procedures apply to student activity funds and can be found in the Business Office Procedures Manual.

### **Delivery of Merchandise**

All merchandise ordered must be sent and received at Central Receiving. No exceptions!!

### **Competitive Bidding Requirements:**

#### **1. Purchase requests for less than \$10,000:**

- a. Written or telephone quotes are not required, but are encouraged.
- b. The requestor shall keep all documentation relating to these purchases on file.

#### **2. Purchases of more than \$10,000 but less than \$25,000:**

- a. The requestor shall obtain a minimum of three (3) quotations. If quotations are written, the written request for quotations should contain specific, clear and concise requirements. This procedure helps assure that all vendors receive the same information regarding the requirement. Quotations received should be signed by an authorized representative of the vendor. Faxes may be used to issue and receive quotations. Only written quotes on company letterhead will be accepted. A copy of the three quotations must be sent to the Purchasing Department.
- b. Originals of all documentation relating to these purchases should be kept on file by the requestor.

### **3. Purchase Requests for \$25,000 or more:**

- a. Purchases of \$25,000 or more must be presented to the Board for approval unless the vendor was previously approved on a bid or bid equivalent. If utilizing a sole source for \$25,000 or more, the requestor shall submit a signed written statement (notarized) supporting the purchase which will be included in the Board meeting agenda. Sole source forms must be approved by the Assistant Superintendent for Business and Finance or the Comptroller.
- b. Purchases of \$25,000 or more which are not currently available through District bid, other approved agency bids, or sole source purchase are subject to competitive bidding. A formal bid must be prepared, issued, advertised in the local paper, publicly opened, evaluated, and presented to the Board if there is no current bid. In some instances, large or unique purchase requirements may be bid even if a current bid is in existence, if a possibility exists to obtain better pricing. The requestor shall assist the Purchasing Department by helping to identify requirements and potential vendors. The requestor shall sign off on the proposed mailing list of vendors and on the bid prior to issuance.

### **4. Contracts and Lease Agreements**

All contracts and lease agreements must be reviewed by the District Business Office prior to approval. No contract or agreement may be entered into without specific authorization in writing by the Superintendent or designee.

# 13 Activity Fund Expenditure Quick Reference Guide



## ACTIVITY FUND EXPENDITURES

### Quick Reference Guide for CAMPUS ACTIVITY FUNDS (CAF) and STUDENT ACTIVITY FUNDS (SAF)

The following is a list of some of the appropriate uses and prohibited expenditures from District funds. The list is not all-inclusive, but can serve as a guideline. Any questionable items should be verified through the District's Business Office.

	Description	CAF Admin (891)	CAF (461)	SAF (890)
<b>1 SUPPLIES, MATERIALS &amp; EQUIPMENT</b>				
a	To be used by student members of the group	Y	Y	Y
b	To be used by campus staff and faculty	Y	N	N
c	Supplemental classroom instructional needs and general office supplies, including school furnishings and equipment which will benefit the general student body	Y	N	N
<b>2 MEMBERSHIPS &amp; FEES</b>				
a	Entry fees & other expenses associated with competitions & meetings once all possible resources have been considered	Y	Y	Y
b	Organization, institutional, and individual memberships benefiting the district, campus or group of students. However, if an individual membership is necessary for students to participate in certain activities, then the expenditure is acceptable if a notation is made to document the necessity	Y	Y	Y
c	Payment of an individual's organization dues or fees that do not provide a direct benefit to the district, campus or to a group of students including the payment of professional liability insurance	N	N	N
d	Check printing fees and bank service charges	Y	N	N
e	The payment of advertisements in publications other than those circulated at the District's campuses (i.e., Golden Apple Award). The advertisement should state "paid from"	Y	N	N
f	Other reasonable expenditures approved by student membership of the group	N	N	Y
<b>3 TRAVEL</b>				
a	Travel meals consumed by the student members & their adult sponsors ( <i>travel disbursements must be documented by the PAISD Request for Travel at District Expense &amp; Statement of Expense forms</i> )	Y	Y	Y
b	Educational field trips, meals, and other activities planned for the benefit of students as recognition for accomplishments. The travel expenditures for faculty/staff who must accompany students on a trip are also acceptable provided that expenditures do not exceed the reimbursable limits established by the District's travel policies	Y	Y	Y
c	Payment of travel expenses for spouse, children, or other nonemployees	N	N	N
d	Payment of district mileage to school employees who already receive a monthly travel allowance	N	N	N
e	District approved conference attendance and travel costs for employees on school business, subject to travel allowances as established by the District	Y	N	Y
f	In-District mileage reimbursement for faculty/staff members on school business at the current district rate per mile provided a travel log is kept and attached to the Check Request as documentation	Y	N	N
g	Traffic citations, parking or toll charges, auto repairs	N	N	N

# ACTIVITY FUND EXPENDITURES

## *Quick Reference Guide for*

### *CAMPUS ACTIVITY FUNDS (CAF) and STUDENT ACTIVITY FUNDS (SAF)*

Description	CAF Admin (891)	CAF (461)	SAF (890)
<b>4 SCHOLARSHIPS</b>			
a Scholarships from left-over funds (refer to page 30 for Scholarship Procedures)	N	N	Y
b Fundraising for scholarships	N	N	N
<b>5 AWARDS, INCENTIVES &amp; GIFTS</b>			
a Expenditures related to appreciation and recognition ceremonies of the student members	Y	Y	Y
b Awards such as plaques, paperweights, certificates, school apparel that does not exceed \$25 per calendar year in accordance to IRS, in recognition of students, staff, or volunteers for service to the school District	Y	Y	Y
c Any expense which appears to benefit private individuals or entities in ways so out of proportion to the overall public benefit that they amount to a virtual donation or gift	N	N	N
d Appreciation and fundraising dinner tickets	N	N	N
e Gift cards for students should not exceed \$50 dollars per student (i.e.: top sellers)	Y	Y	Y
f Gift cards, gift certificates, or the like for District employees	N	N	N
g Purchase of any gift for any person or organization; this includes gift certificates, retirement gifts, flowers, holiday gifts, and food gifts (Gifts of public funds are prohibited under Article III, Section 52 of the Texas Constitution)	N	N	N
h Extravagant or high-priced awards such as watches or other jewelry	N	N	N
i Extra compensation or bonuses to employees whether it be in the form of cash or gifts	N	N	N
j Parties for staff, including food, decorations, and favors	N	N	N
k Disbursement of left over funds returned to students in the form of monetary incentives (i.e.: debit cards, gift cards, or cash)	N	N	N
<b>6 FLOWERS</b>			
a Not to exceed \$75 for death of campus <i>student</i>	Y	Y	Y
b Not to exceed \$75 for death of a campus <i>employee</i> and immediate family (Immediate family as in DEC Local policy)	Y	N	N
c Flower arrangement that exceeds \$75 in which cost will be divided amongst more than one account	N	N	N
d For illness or leave of absence, including maternity	N	N	N
e Flowers including but not limited to corsages/boutonnieres for District approved profession appreciation	N	N	Y

# ACTIVITY FUND EXPENDITURES

## *Quick Reference Guide for*

### *CAMPUS ACTIVITY FUNDS (CAF) and STUDENT ACTIVITY FUNDS (SAF)*

	CAF Admin (891)	CAF (461)	SAF (890)
<b>7 MEETINGS &amp; MEALS</b>			
a Abuse of number of appreciation meals furnished to staff	N	N	N
b Meals or expenses relating to a Parent Teacher Association or Organization	N	N	N
c Daily coffee and other drinks for the faculty and staff	N	N	N
d Parent/student functions such as Open House, Parent Night, & Graduation. Refreshments & snacks for meetings where the school serves as host for related activities for students, staff, & patrons. The expenditure from these functions requires an agenda and sign-in sheet.	Y	N	N
e Refreshments for student recognition events such as Student of the Month, Head of the Class or the like (maximum of two family members per student, one administrator and designated student(s))	Y	N	N
f Reimbursement for luncheons or dinners while attending civic organization's meetings to officially represent the school district or campus	N	N	N
g Gratuity not to exceed 18% and should be listed on receipt (allowed only when there is student participation)	N	N	Y
h Gratuity not to exceed 18% and should be listed on receipt	N	N	N
i Refreshments and snacks for teacher in-service and staff development. An agenda must be provided for staff development	N	N	N
i Business meals for staff – for reasonable cost comparisons, the per diem amounts are at the current district rates. Appropriate documentation indicating who was at the meeting (sign-in sheet) and what was discussed (agenda) is required by IRS	N	N	N
k Appreciation meals furnished to employees who exceed the reasonable limitations noted	N	N	N
<b>8 DONATIONS &amp; LOANS</b>			
a Loans/donations between clubs	Y	N	N
b Transferring of funds to collect for administrative/staff events	N	N	N
c Loans to employees, parents or students for any reason	N	N	N
d Payment of an individual's personal bills	N	N	N
<b>9 CAMPUS BEAUTIFICATION</b>			
a Improvement of campus and site facilities such as plants, bulletin Boards, signs, and flags.	Y	Y	Y
b Structural additions or improvements to the campus unless properly authorized by the facilities department	N	N	N

## ACTIVITY FUND EXPENDITURES

### *Quick Reference Guide for*

#### *CAMPUS ACTIVITY FUNDS (CAF) and STUDENT ACTIVITY FUNDS (SAF)*

	<b>CAF Admin (891)</b>	<b>CAF (461)</b>	<b>SAF (890)</b>	
<b>10 OTHER</b>				
a	Emergency health or safety needs for students (Not to include hospital or doctor's visit)	Y	Y	Y
b	Replacement of an individual's property that was lost, stolen, or damaged on the school or district's premises or while being used at a school or district function. (The Texas Tort Claims Act prohibits use of funds in this manner)	N	N	N
c	Alcoholic beverages, tobacco products, controlled substances, firearms, and other weapons	N	N	N
d	Any other expenditure prohibited by federal or state law, TEA or Board policy, or PAISD regulations	N	N	N
e	Any purchases other than those listed above which benefits adult sponsors & does not benefit student members	Y	N	N

***CAF Admin (All Principals, Coaches, Teachers, Textbook Accounts)***  
***CAF (All Campus Levels)***  
***SAF (Student-Represented Accounts)***

***Note: Any equipment purchased with student activity or campus activity funds will become the property of the Port Arthur Independent School District and must be included in the fixed asset inventory of the district.***

# 14 *Forms*



PORT ARTHUR ISD

## RESPONSIBILITIES OF FACULTY SPONSORS OF STUDENT GROUPS

The purpose for the collecting or raising and expending of funds by student groups is for the direct benefit of the students. Funds are to be used to finance activities which supplement the educational curriculum of the District. Fundraising activities will contribute to the educational experience of the pupils and will not conflict with the instructional program. Money raised by student groups and organizations are held by the school as trustee. The faculty sponsor of a student club or group is responsible for maintaining adequate financial records as evidence of proper custodianship of money received by and distributed from club accounts.

I hereby acknowledge that I have read the *PAISD Campus and Student Activity Funds Manual* and that I am responsible for complying with it. In particular, I acknowledge that:

1. All fundraising activities will be approved in advance by the principal and Assistant Superintendent of Business and Finance using the designated form.
2. I am responsible for both safeguarding and accounting for funds received from and/or on behalf of students.
3. All student activity money will be turned into the office daily in the same form in which it was received.
4. At the completion of all funds raised the Fundraiser Report will be completed and submitted to the principal for approval.
5. All purchases made on behalf of the student organizations will be made by Purchase Order or Direct Pay and approved in advance by the principal. Therefore, purchases may never be made by non-deposited cash.
6. In general, no purchases will be made "on account". Exceptions to this rule will be pre-approved in writing by the purchasing department.
7. I will maintain a positive balance in my organization's account at all times.

I understand that I will be held responsible for all student activity funds entrusted to me and that I will reimburse the student organization for any money (or property purchased with student activity money), which is lost due to carelessness, theft or fraud.

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Student Group/Organization

\_\_\_\_\_  
Campus



**FUNDRAISING PROPOSAL FORM**

**ALL FUNDRAISERS MUST BE APPROVED TWO WEEKS IN ADVANCE BY THE BUSINESS OFFICE.**

NAME OF SCHOOL: \_\_\_\_\_

NAME OF ORGANIZATION: \_\_\_\_\_

Sponsor(s) Or Individual(s) Responsible: \_\_\_\_\_  
 \_\_\_\_\_

Type of sale and supplying company (ex. candy, Galbraith, Express, candles, etc.):  
 \_\_\_\_\_  
 \_\_\_\_\_

Purpose(s) for which the net proceeds is (are) to be used: \_\_\_\_\_  
 \_\_\_\_\_

The following activity fund account(s) will receive the net proceeds: \_\_\_\_\_

Estimated Gross Sales: \$ \_\_\_\_\_ Margin of Profit: \_\_\_\_\_

Date: Beginning: \_\_\_\_\_ Ending: \_\_\_\_\_

Each club within a school, including the school itself, is entitled to two sales tax-free days per calendar year if declared in advance of the event. Sales may qualify if:

- 1) The sale occurs within a 24-hour period, or
- 2) The delivery is made within a 24-hour period even though the money was collected over an extended period.

To declare a sales tax-free day, complete the information below:

TAXABLE SALE? <i>Yes or No</i>	DATE OF SALE OR DELIVERY DATE	ORGANIZATION OR CLUB	TAX-FREE DAY #1 OR #2 CALENDAR YEAR

I have requested permission to conduct a money-raising activity, and I will be responsible for the preparation of an accounting of all monies collected during and at the conclusion of the money-raising activity, and I will turn in all records to the Business Office. I have read and will comply with the District's Guidelines and Policies for Fundraisers.

\_\_\_\_\_  
 Sponsor/Individual Date

APPROVED: \_\_\_\_\_  
 Principal Date

**APPROVED:** \_\_\_\_\_  
 **DISAPPROVED:** (see note) Business Office Date



### FUNDRAISER FOLLOW-UP FORM

**THIS REPORT IS TO BE FILED IN THE BUSINESS OFFICE WITHIN 2 WEEKS AFTER THE END OF THE FUNDRAISING ACTIVITY**

\_\_\_\_\_  
(School Name) \_\_\_\_\_  
(Organization)

Sponsor(s) or Individual(s) Responsible: \_\_\_\_\_  
\_\_\_\_\_

Fundraising Activity: \_\_\_\_\_

Supplying Company: \_\_\_\_\_

Date Completed: \_\_\_\_\_

One-Day Tax-Free Sale Declared for this activity?       Yes       No

**CALCULATION OF NET PROFITS**

- A. Total Deposits      \$ \_\_\_\_\_      (Should agree to totals reported on *Monthly Report of Deposits* filed)
- B. Cost of Goods Sold      \$ ( \_\_\_\_\_ )      (Total paid for items sold)
- C. Sales Taxes remitted      \$ ( \_\_\_\_\_ )      (Taxes are calculated by the Business Office. Sponsors will be notified of taxes deducted from activity funds)
- D. Net Profit      \$                 (A - B - C)
- E. Profit Percentage      \_\_\_\_\_ %      (D ÷ A)

Net profits to be used towards: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Organization Sponsor      Date

\_\_\_\_\_  
Verified by Principal      Date

\_\_\_\_\_  
Received by Business Office      Date





Port Arthur Independent School District

Campus \_\_\_\_\_

Daily Deposit Report

Date: \_\_\_\_\_

ACCOUNT NUMBER	DESCRIPTION	AMOUNT
199 00 5752 36 _____ 00 00 000	ATHLETIC REVENUE	_____
199 00 5753 01 _____ 00 00 000	FEEs INDUSTRIAL ARTS	_____
199 00 5753 02 _____ 00 00 000	ART RESALE	_____
199 00 5753 03 _____ 00 00 000	LOST STATE TEXTBOOKS	_____
199 00 5753 04 _____ 00 00 000	LOST PAISD BOOKS	_____
199 00 5753 05 _____ 00 00 000	LIBRARY FINES	_____
199 00 5736 00 000 _____ 00 00 000	TUITION SUMMER SCHOOL	_____
199 00 5739 00 904 _____ 00 00 000	TRANSPORTATION FEES	_____
199 00 5753 00 000 _____ 00 00 000	MISCELLANEOUS REVENUE	_____
<b>TOTAL GENERAL FUND</b>		=====
461 00 5755 _____ _____ 00 00 000		_____
461 00 5755 _____ _____ 00 00 000		_____
<b>TOTAL CAMPUS ACTIVITY</b>		=====
890 00 5755 _____ _____ 00 00 000		_____
890 00 5755 _____ _____ 00 00 000		_____
890 00 5755 _____ _____ 00 00 000		_____
890 00 5755 _____ _____ 00 00 000		_____
890 00 5755 _____ _____ 00 00 000		_____
890 00 5755 _____ _____ 00 00 000		_____
<b>TOTAL STUDENT ACTIVITY</b>		=====
891 00 5755 _____ _____ 00 00 000		_____
891 00 5755 _____ _____ 00 00 000		_____
891 00 5755 _____ _____ 00 00 000		_____
891 00 5755 _____ _____ 00 00 000		_____
891 00 5755 _____ _____ 00 00 000		_____
<b>TOTAL ACTIVITY/FACULTY</b>		=====
893 00 5755 _____ _____ 00 00 000		_____
893 00 5755 _____ _____ 00 00 000		_____
<b>TOTAL ACTIVITY</b>		=====

Person Collecting Money \_\_\_\_\_



# Charitable Raffles: Know the Law



My office receives numerous calls from Texans across the state who are hoping to raise money for a good cause. Many Texans decide they want to do a raffle.

But is it legal to raise funds with a raffle? It depends. The Charitable Raffle Enabling Act which has been in effect since September 1, 1999, establishes the guidelines for conducting a legal raffle in the State of Texas. The Act was established to provide certain charitable and non-profit membership organizations a means to generate income to support their causes.

The Act defines the types of organizations that can hold raffles. In general a qualified organization is defined as

- An association organized primarily for religious purposes that has been in existence in Texas for at least ten years.
- A voluntary emergency medical service that does not pay its members other than nominal compensation.
- A volunteer fire department that operates fire fighting equipment and does not pay its members other than nominal compensation.

Other organizations may qualify. You can hold a raffle if your non-profit organization:

- is at least three years old,
- elects its governing body,
- has a 501(c) tax exemption,
- has members,
- does not distribute income to its members, and
- does not participate in any political campaign.

These are the ONLY organizations allowed to hold raffles in Texas. Any other type of organization, business or individual conducting a raffle in Texas would be doing so illegally.

The law also regulates what types of prizes may be offered. Qualified organizations may offer any prize except money. There is no value limit on prizes donated to the organization. However, if raffle organizers offer a prize they have bought or given other consideration for, the value of the prize may not exceed \$50,000.

There are a few other restrictions. For example, a qualified organization may only hold two raffles per year. Raffle tickets may not be advertised state wide or through paid advertisements. Each ticket must provide the name and address of the organization holding the raffle or the address of an officer of the organization. Tickets may only be sold by members of the organization. Additionally, the ticket must include

the price of the ticket and a general description of each prize that has a value of more than \$10.

A raffle that violates the Charitable Raffle Enabling Act is considered illegal gambling under the Texas Penal Code. Conducting an illegal raffle is a Class A misdemeanor and participation is a Class C misdemeanor.

My office would not be permitted to advise you about whether your particular organization, or any particular proposed raffle, would be legal. We can only provide these general guidelines. If you have doubts about the legality of a raffle, consult a private attorney.

For information on conducting a legal raffle in Texas, read Chapter 2002, Charitable Raffles, Occupations Code, Texas Codes Annotated. We also offer an online brochure on charitable raffles that can be found on our Web site at [www.oag.state.tx.us](http://www.oag.state.tx.us).

This column was originally issued May 4, 2004 and contains outdated information and is included here only as historical reference. It has been revised and reissued on May 04, 2010 and can be seen on the next page of this 2-page PDF.



Information on this and other topics is available on the Attorney General's Web site at [www.oag.state.tx.us](http://www.oag.state.tx.us).

**It is against the law for school districts to conduct raffles of any kind!**

<https://www.texasattorneygeneral.gov/agency/weeklyag/2004/0604raffles.pdf>

## POINTS TO REMEMBER CHARITABLE RAFFLES

Registration and Taxation requirements for nonprofit organizations in Texas:

Secretary of State  
Post Office Box 12697  
Austin, TX 78711  
(800) 648-9642  
[www.sos.state.tx.us](http://www.sos.state.tx.us)

Comptroller of Public Accounts  
Post Office Box 13528  
Austin, TX 78711  
(800) 463-4600  
[www.cpa.state.tx.us](http://www.cpa.state.tx.us)

For a copy of the Charitable Raffle Enabling Act: Texas Legislature Online  
[www.capitol.state.tx.us](http://www.capitol.state.tx.us)  
State Law Library  
(512) 463-1722

Online brochure: Charitable Raffles  
[www.oag.state.tx.us](http://www.oag.state.tx.us)  
or call for a free copy: 800 252-8011



ATTORNEY GENERAL OF TEXAS  
GREG ABBOTT

# 15 Supplemental Documents



## School Fundraisers and Texas Sales Tax

Texas school districts, public schools, qualified exempt private schools and each bona fide chapter within a qualifying school are exempt from the payment of Texas sales and use tax on purchases of taxable items for their use, if the purchases are related to the organization's exempt function.

The organization must obtain a sales tax permit and collect and remit sales tax on taxable items it sells unless one of the exemptions listed below applies. An organization does not have to register for a sales tax permit if all its sales are of exempt items or if its sales take place through tax-free fundraisers.

### Two One-Day Tax-Free Sales

School districts, public schools, qualified exempt private schools and bona fide chapters within a qualifying school may conduct two one-day tax-free sales or auctions each calendar year. For the purposes of this exemption, one day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. See subsection (h) of Rule 3.322, "Exempt Organizations."

For example, a school may sell taxable items such as t-shirts, hats, uniforms, school supplies or crafts

tax-free on a designated tax-free sale day. These days should be designated in advance so that purchasers are aware that the sales are not subject to tax. The organization may not collect tax on the transactions and keep the tax under the "tax-free" sale provision. The exemption does not apply to any item sold for more than \$5,000 unless it is manufactured by the organization or donated to the organization and not sold back to the donor.



Either the date on which the items are delivered by the vendor to the school organization or the day on which the school organization delivers the items to its customers may be designated as the one-day tax-free sale day. Persons buying from surplus inventory on the designated date do not owe tax. Those buying on subsequent dates owe tax unless the purchase occurs on the organization's other tax-free sale day.

For example, a school group selling yearbooks may accept pre-orders without collecting tax if the day the yearbooks will be delivered to customers is designated as one of the group's tax-free fundraisers. Surplus yearbooks sold during the same day also qualify for the exemption. Surplus yearbooks sold on other days are taxable unless sold at the group's other tax-free fundraiser.



# SALES AND USE TAX BULLETIN

## School Fundraisers and Texas Sales Tax

If two or more groups hold a one-day tax-free sale together, the event counts as one tax-free sale for each participating organization. Each of those organizations then is limited to one additional tax-free sale during the remainder of the calendar year.

If an exempt organization is purchasing taxable items for resale during its designated tax-free sale days and it holds a sales tax permit, the organization may either give the retailer a resale certificate, Form 01-339 (front), or an exemption certificate, Form 01-339 (back) to purchase the items tax-free. A non-permitted exempt organization, however, may purchase items for resale tax-free by issuing an exemption certificate to the vendor for items sold during its two one-day, tax-free sales.

### Schools and Bona Fide Chapters

To qualify as a bona fide chapter of a school, a group of students must be organized for an activity other than instruction or to have a tax-free sale. Bona fide chapters include student groups recognized by the school and organized by electing officers, holding meetings and conducting business. There is no limit on the number of bona fide chapters a school can have. Bona fide chapters can include whole grade levels (e.g. senior class, junior class or freshmen), but cannot be limited to specific classes (e.g. Senior English or Biology II). Various other school groups such as a student council, science club or drama club can qualify if they are composed of students and school staff.

A department of a school, such as a purchasing, accounting, maintenance or IT department, is not a bona fide chapter even though it is part of the school or school district.

Groups that are not considered bona fide chapters, unless otherwise qualified to hold the two one-day tax-free sales, must obtain a sales tax permit and collect and remit sales tax on all taxable items sold at

fundraisers. Non-student organizations such as booster clubs and PTAs/PTOs cannot qualify as bona fide chapters of a school, but may qualify for the tax-free sale days under other provisions of the Tax Code. See the "Nonstudent Nonprofit Organizations" section in this publication for more information.

### Non-Qualifying Fundraisers – Acting as an Agent or Sales Representatives

When a school, school group, PTA/PTO, booster club or other exempt organization raises funds by acting as a sales representative or commissioned sales agent for a for-profit retailer, the group is not responsible

for reporting and remitting sales and use tax. As a result, however, the exempt organization is not considered to be the seller and cannot use a tax-free sale day for this type of event. In these cases, the group receives a commission for holding a book fair or for selling candy, gift wrap, holiday ornaments, candles or similar items.

When an exempt organization acts as a commissioned sales agent or representative for a for-profit seller, the seller should provide instructions and information regarding the proper collection of tax. The for-profit retailer may

advertise in the sales catalog or state on each invoice that tax is included or require that tax be calculated and collected based on the selling price of each taxable item. The for-profit retailer is then responsible for remitting the tax collected or backed out to the Comptroller. Similarly, sales of taxable items made through the Web site of a for-profit retailer are also taxable and may not be sold tax-free in connection with a fundraiser.

### Nonstudent Nonprofit Organizations

Nonstudent nonprofit organizations that are not bona fide chapters of schools may qualify for two one-day tax-free sales or auctions on their own.

A **booster club** for a band, football team or similar group may hold two one-day tax-free sales or auctions



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once it has obtained a sales tax exemption from the Comptroller's office on its purchases.

A nonprofit organization with an Internal Revenue Service (IRS) exemption under Section 501(c)(3), (4), (8), (10) or (19) is exempt from sales and franchise taxes. A booster club that has a 501(c) federal exemptions should complete AP-204 and submit it, along with a copy of its IRS exemption letter, to the Comptroller's office. After the Comptroller's office notifies the club of its exempt status, the club can hold two one-day tax-free sales or auctions each calendar year.

**Parent-teacher associations (PTAs)** affiliated with the Texas state PTA or the national PTA are exempt as educational organizations and can hold two one-day tax-free sales or auctions each calendar year. **Parent-teacher organizations (PTOs)**, as well as **parent-teacher-student associations (PTSAs)** and **organizations (PTSOs)**, are also exempt from sales tax as educational organizations.

PTAs *not* affiliated with the Texas state PTA or the national PTA, parent-teacher organizations (PTOs) and parent-teacher-student associations (PTSAs) and organizations (PTSOs) are also eligible for exemption from sales tax as educational organizations. These organizations should complete form AP-207 and submit it to the Comptroller's office. Once the exemption has been granted, these organizations can also hold two one-day tax-free sales or auctions each calendar year.

Sales of taxable items by PTAs, PTOs, PTSAs, and PTSOs made at other times of the year are subject to tax.

### Internet Sales

Sales of taxable items over the Internet are treated the same as sales of taxable items made at the school or at any other sales location. Schools, school groups and

other non-student, nonprofit organizations that accept online orders through a Web site must collect sales tax on taxable items they sell online. An online sale occurring during a one-day tax-free sale, however, would qualify for the exemption.

### Food and Beverage Sales

A public or private elementary or secondary school, school group or PTA/PTO does not have to collect tax on sales of meals and food products (including candy and soft drinks) if the sales are made during the regular school day and by agreement with the proper school authorities. This exemption includes food, soft drinks and candy sold through vending machines.

PTAs/PTOs and other qualifying groups associated with a specific public or private elementary or secondary school or school group may also sell meals, food, candy or soft drinks tax-free outside of the school day if the sales are part of the organization's fundraising drive and all net proceeds go to the group for its exclusive use.



### Concession Stands

Concession-stand food sales are exempt from tax when made by a school group, PTA/PTO or other group (such as a booster club) associated with a public or private elementary or secondary school, if the sales are part of the organization's fundraising drive and all net proceeds go to the organization for its exclusive use. The exemption applies to sales of soft drinks and candy, but does not include sales of alcoholic beverages. The group can issue an exemption certificate in lieu of paying tax on purchases of candy, sodas, gum and other taxable food items sold at its concession stand. The exemption certificate should state that the group will sell the items as a fundraiser.

### Annual Banquets and Annual Food Fundraisers

All volunteer nonprofit organizations can hold a tax-free annual banquet or other food sale provided the



event is not professionally catered; is not held in a restaurant, hotel or similar place of business; is not in competition with a retailer required to collect tax; and the food is prepared, served and sold by members of the organization. The exemption does not apply to the sale or purchase of alcoholic beverages. To qualify for exemption, the food sale must:

- be an annual event;
- last no more than one week;
- be a fundraising project exclusively provided by the volunteers of the participating nonprofit organizations;
- be non-commercial in every respect (that is, the food and beverages cannot be prepared or served by a caterer or a restaurant, and must be prepared and served by the participating organizations' volunteers, without pay); and
- not be held in competition with a retailer at the same event who must collect tax on food and beverage sales.



The annual food sale or banquet exemption does not apply to sales of alcoholic beverages or non-food items (e.g., arts, crafts or t-shirts). Alcoholic beverages are not food products and are taxable. The type of tax due (sales tax or mixed beverage gross receipts tax) depends upon the type of permit held by the selling organization. Sales of alcoholic beverages, including beer, wine and mixers, are subject to the Texas 14 percent mixed beverage gross receipts tax when sold by a mixed-beverage permit holder, while sales of beer and wine made by a beer and wine-only permit holder are subject to sales tax.

### Nontaxable Sales

Some items are not subject to sales tax no matter who sells them.

### Nontaxable Food Items

Sales tax is not due on nontaxable food items. Examples of such items include cookie dough, pizza kits, cheese spreads, meat sticks, jelly, salsa, fresh fruit and mixes packaged for preparation at home.

### Magazine Subscriptions

Subscriptions to magazines entered as periodicals-class (formerly called second-class) mail and sold for six months or more are exempt from sales tax. Single issues and subscriptions for fewer than six months are taxable, however.

### Bakery Items

Bakery products (including but not limited to pies, cakes, cookies, bagels and muffins) are exempt unless sold with plates or eating utensils.

### Gift Certificates and Passbooks

Sales of intangibles such as gift certificates and coupon passbooks are not subject to sales tax. Instead, retailers should collect tax when the certificate or coupon is redeemed for the purchase of taxable merchandise or services. The tax is based on the item's actual retail selling price less any cash discount given at

the time of the sale (e.g., a deduction for a coupon). Of course, if the gift certificate is for a nontaxable service such as a haircut, manicure or facial, no sales tax is due when the certificate is redeemed. Taxable services are listed in "Taxable Services" (Tax Publication 96-259.)

### Car Washes

Washing a car is not a taxable service under the Texas Tax Code. Groups holding car washes are not required to collect tax on their charges for this service.

### Amusement Services

The sale of an amusement service provided exclusively by a nonprofit organization, other than an IRS Section



# SALES AND USE TAX BULLETIN

## School Fundraisers and Texas Sales Tax

501(c)(7) organization, is exempt from sales tax. For example, the sale of an admission ticket to a school carnival, dance, athletic event or musical concert is exempt.

### Periodicals and Writings

Periodicals and writings (reading materials including those presented on audio tape, videotape and computer disk) are exempt from tax if published and distributed by a religious, philanthropic, charitable, historical, scientific or other similar organization not operated for profit. A "similar" organization must be organized for a benevolent purpose and must not be operated for profit. Similar organizations include PTAs, PTOs, PTSAs and PTSOs, but exclude all public and private educational organizations.

This means that PTAs, PTOs, PTSAs and PTSOs may publish and sell printed reading materials such as yearbooks, books, calendars, directories, magazines, brochures and newsletters without collecting sales tax. The qualifying organization may issue a properly completed resale certificate to the printer in lieu of paying tax on charges for printing, binding and item placement.

Items that contain printed materials that can be read but primarily serve other purposes or functions, such as school logo t-shirts, bookmarks, photographs and novelties, are subject to sales tax *unless* sold during a qualifying and designated tax-free sale or auction.

School districts, schools and school groups, however, must collect tax on sales of printed reading materials unless the sale is designated as one of the organization's tax-free fundraisers.

### Donations

A purchaser using personal funds may give an exemption certificate to vendors when buying taxable items

that will be donated to a qualifying organization, such as a school, before the individual makes any use of the items. The exemption certificate must state that the taxable item is being purchased by the individual for donation to an exempt organization and must clearly identify the organization accepting the a donation (see Tax Code Section 151.155[b]). If the purchaser makes use of the item before it is donated, the purchaser is responsible for paying or accruing tax on the item's purchase price.

Donations (gifts) of cash or taxable items or services made to an organization are not taxable sales unless the exempt organization gives the donor a taxable item in exchange for the donation, and the item is of proportionate or equal value to the donation.



### Sales to Students

Generally, other than the exemptions previously identified, schools and associated groups must collect, report and remit sales tax on taxable items that they sell or taxable services they provide to others, including sales made to students.

Schools may issue a resale certificate in lieu of paying tax to suppliers when purchasing taxable items to sell. Schools may issue an exemption certificate in lieu of paying tax when purchasing taxable items for their use or for giving away to students or others as part of a course of instruction. A district must collect tax on the sales price of taxable items when selling them to students or to others.

For example, if a school sells uniforms, gloves and shoes to drill team members, it must collect tax on the sales unless it designates their sale as one of its two one-day tax-free sales. The school may purchase the uniforms tax-free for resale to the drill team members.

The table on the following page is a short list of examples of taxable and nontaxable sales.

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# SALES AND USE TAX BULLETIN

## School Fundraisers and Texas Sales Tax

TAXABLE	NONTAXABLE
Rental of tangible personal property such as locks, musical instruments, calculators and computers	Rental of real property such as a gymnasium, auditorium, library or cafeteria
Horticultural products such as flower arrangements, roses, carnations, holiday greenery and poinsettias	Agricultural products (plants and seeds), the products of which ordinarily constitute food for human consumption
Cosmetology products such as shampoo, conditioner and nail polish sold to customers	Cosmetology services such as haircuts, shampoo, manicures and pedicures
Parking permits for the general public	Parking permits for public school students, faculty and staff
Animals that do not ordinarily constitute food or food products, such as hamsters, mice, cats and dogs	Farm animals such as pigs, cows, chickens and other livestock
Publications such as football, basketball or volleyball programs	Sales of advertising space in athletic programs, yearbooks, newspapers
Automobile repair parts (a separately stated charge for parts is taxable; a separately stated charge for repair labor is not taxable)	Automobile repair (a lump-sum charge for parts and labor)
Car carpet shampooing	Car washes
Magazines (single issue or subscription less than six months)	Magazine subscriptions for six months or longer

### Need More Information?

For more information, see:

Rule 3.286, "Seller's and Purchaser's Responsibilities"

Rule 3.322, "Exempt Organizations"

Rule 3.293, "Food; Food Products; Meals; Food Service"

Rule 3.298, "Amusement Services"

Rule 3.299, "Newspapers, Magazines, Publishers, Exempt Writings"

Tax Publication 96-122, "Exempt Organizations - Sales and Purchases" — Frequently Asked Questions section provides information about school organizations applying for exemption from state taxes.

Tax Publication 96-259, "Taxable Services"

Please use our Texas Online Sales Tax Registration System to apply for a sales tax permit. An application also can be downloaded from our Tax Forms Online page. You can also obtain an application by calling (800) 252-5555 or by visiting one of our enforcement field offices.

For questions about an organization's Texas tax-exempt status, please use our Texas Tax-Exempt Entity Search, write to [exempt.orgs@cpa.state.tx.us](mailto:exempt.orgs@cpa.state.tx.us), or call Tax Assistance at (800) 531-5441 and ask for the Exempt Organizations Section.

For information on how to apply for federal exemptions, contact the U.S. Internal Revenue Service at (877) 829-5500 or online at <http://www.irs.gov/>.

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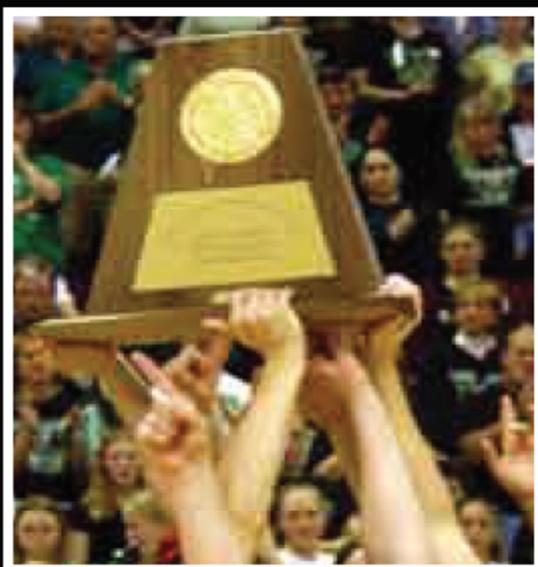
Sign up to receive e-mail updates on the Comptroller topics of your choice at [www.window.state.tx.us/subscribe](http://www.window.state.tx.us/subscribe).

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## Booster Club Guidelines



Be they music, fine arts, academic or athletic, booster clubs should exist to enrich students' involvement in extracurricular activities without endangering their eligibility.

### | GENERAL GUIDELINES |

#### The role of competition

Participation teaches that it is a privilege and an honor to represent one's school. Students learn to win without boasting and to lose without bitterness.



Self-motivation and intellectual curiosity are essential to the best academic participants. Artistic commitment and a desire to excel are traits found in music participants. Physical training and good health habits are essential to the best athletes. Interscholastic competition is a fine way to encourage youngsters to enrich their education and expand their horizons.

Leadership and citizenship experiences through school activities help prepare students for a useful and wholesome life.

Plus, competition is fun!

#### Role of the Superintendent

Member schools make UIL rules and determine policies regarding penalties to schools, school district personnel and student participants. The superintendent is solely responsible for the entire UIL program. All school activities, organizations (including the booster club), events and personnel are under the jurisdiction of the superintendent. Booster clubs must recognize this authority and work within a framework prescribed by the school administration.



#### Role of Booster Clubs

Neighborhood patrons form booster clubs to help enrich the school's participation in extracurricular activities. The fundraising role of booster clubs is particularly crucial in today's economic climate.

#### Written Policies

Booster clubs should develop and annually review policies to cover:

- \*how to obtain administrative approval before beginning projects;
- \*how to plan and publicize meetings;
- \*bookkeeping and fund administration including process to obtain superintendent's approval prior to raising or spending funds;
- \*election of officers (suggestion: one president; one secretary; one treasurer; and three vice - presidents: one vice

Updated August 2011

president to oversee fall, winter and spring sports);

\*taking, distributing and filing minutes;

\*public communication;

\*proper interaction with fine arts directors and academic and athletic coaches through the lines of authority as established by the school board;

\*a sportsmanship code governing behavior of booster club members and fans at contests, treatment of officials, guests, judges, etc.; and

\*plans to support the school regardless of success in competition, keeping the educational goals of competition at the forefront of all policies.

### Relationship with the school

The superintendent or a designee who does not coach or direct a UIL contest has approval authority over booster clubs and should be invited to all meetings. All meetings should be open to the public.

\*Booster clubs do not have authority to direct the duties of a school district employee. The scheduling of contests, rules for participation, methods of earning letters and all other criteria dealing with inter-school programs are under the jurisdiction of the local school administration.

\*Minutes should be taken at each meeting and kept on file at the school.

\*School administration should apprise booster clubs of all school activities.

\*Booster clubs should apprise school administrators of all club activities.

\*Periodic financial statements itemizing all receipts and expenditures should be made to the general club membership and kept on file at the school.

## | CLUB FINANCES |

### Fundraising | Spending | Stipends | Gifts to Coaches

Money given to a school cannot be earmarked for any particular expense. Booster clubs may make recommendations, but cash or other valuable consideration must be given to the school to use at its discretion.

\*Fund-raising projects are subject to state law. Nonprofit or tax-exempt status may be obtained from the Internal Revenue Service.

\*Community-wide sales campaigns should be coordinated through the school administration to minimize simultaneous sales campaigns.

\*Sales campaigns should be planned carefully to insure that the projects provide dollar value for items sold, and that most of the money raised stays at home. Otherwise donations are often more rewarding than letting the major part of the

money go to outside promoters.

\*Fund-raising activities should support the educational goals of the school and should not exploit students. Activities and projects should be investigated carefully before committing the school's support.

\*Individuals who actively coach or direct a UIL activity should serve in an advisory capacity to the booster club and should not have control or signature authority over booster club funds, including petty cash or miscellaneous discretionary funds. Coaches wish-lists should have received prior approval from school administration before submission to boosters.

\*Coaches and directors of UIL academics, athletics and fine arts may not accept more than \$500 in money, product or service from any source in recognition of or appreciation for coaching, directing or sponsoring UIL activities. The \$500 limit is cumulative for a calendar year and is not specific to any one particular gift.

\*The district may pay a stipend, fixed at the beginning of the year, as part of the annual employment contract. The amount of the stipend can't depend on the success of a team or individual. In other words, a coach can't receive more money if a team or individual qualifies to region or state.

\*Funds are to be used to support school activities. To provide such funding for non-school activities would violate UIL rules and the public trust through which funds are earned.



## | ATHLETIC BOOSTERS |

### Club restrictions

Booster clubs cannot give anything to students, including awards. Check with school administrators before giving anything to a student, school sponsor or coach. Schools must give prior approval for any banquet or get-together given for students. All fans, not just members of the booster club, should be aware of this rule. It affects the entire community.

\*Unlike music and academic booster clubs, athletic booster club funds shall not be used to support athletic camps, clinics, private instruction or any activity outside of the school.

\*Booster groups or individuals may donate money or merchandise to the school with prior approval of the administration. These kinds of donations are often made to cover the cost of commercial transportation and to cover costs for out-of-town meals. It would be a violation for booster groups or individuals to pay for such costs directly.

\*Individuals should be informed of the seriousness of violating the athletic amateur rule.

The penalty to a student-athlete is forfeiture of varsity

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athletic eligibility in the sport for which the violation occurred for one calendar year from the date of the violation. Student athletes are prohibited from accepting valuable consideration for participation in school athletics - anything that is not given or offered to the entire student body on the same basis that it is given or offered to an athlete. Valuable consideration is defined as tangible or intangible property or service including anything that is usable, wearable, salable or consumable. Local school districts superintendents have the discretion to allow student athletes to accept, from their fellow students, small 'goodie bags' that contain candy, cookies or other items that have no intrinsic value and are not considered valuable consideration.

\*Homemade "spirit signs" made from paper and normal supplies a student purchases for school use may be placed on the students' lockers or in their yards. Trinkets and food items cannot be attached. Yard signs made of commercial quality wood, plastic, etc. if not purchased or made by the individual player's parent, must be returned after the season.

\*The school may provide meals for contests held away from the home school. If the school does not pay for meals, the individual parents need to purchase their own child's food. Parents may purchase anything they wish for their own child but may not provide food for their child's teammates unless approved by the school. The school may also provide supplies for games and practices and transportation for school field trips. Students should pay admission fees during school field trips.

\*Parties for athletes are governed by the following State Executive Committee interpretation of Section 441 of the UIL Constitution & Contest Rules.

### **Official Interpretation of the UIL Athletic Amateur Rule, section 441 of the UIL Constitution and Contest Rules:**

#### **(a) VALUABLE CONSIDERATION SCHOOL TEAMS AND ATHLETES MAY ACCEPT:**

1. Pre-Season. School athletic teams may be given pre-season meals, if approved by the school.
2. Post-Season. School athletic teams may be given post-season meals if approved by the school. Banquet favors or gifts are considered valuable consideration and are subject to the Awards and Amateur Rules if they are given to a student athlete at any time.
3. Other. If approved by the school, school athletic teams and athletes may be invited to and may attend functions where free admission is offered, or where refreshments and/or meals are served. Athletes or athletic teams may be recognized at these functions, but may not accept anything, other than food items, that is not given to all other students.

#### **(b) ADDITIONAL VALUABLE CONSIDERATION THAT SCHOOL TEAMS AND ATHLETES MAY ACCEPT**

Examples of additional items deemed allowable under this interpretation if approved by the school, include but are not limited to:

1. meals, snacks or snack foods during or after practices;
2. parties provided by parents or other students strictly for an athletic team

Local school district superintendents continue to have the discretion to allow student athletes to accept small "goodie bags" that contain candy, cookies or other items that have no intrinsic value and are not considered valuable consideration.

### **| ACADEMIC BOOSTERS |**

The rules for athletics are different than the rules for academics and music. Athletes are restricted by the Athletic Amateur Rule, which states that athletes cannot accept money or valuable consideration for participating in a UIL sport or for allowing their names to be used in promoting a product, plan or service related to a UIL contest. Academics has no amateur rule. Journalism participants may work for a newspaper and be paid. Actors may work summer stock and be paid. Students may win calculators and software for participating in invitational math contests.



UIL academic students are restricted by the Awards Rule. So, as a general practice, booster clubs should not give gifts or awards to students for their participation in UIL contests that count toward district, region or state standing. School booster clubs may raise money to purchase letter jackets, provided the funds are given to the school without designation to buy jackets for particular students and the school determines criteria for awarding the jackets. Parents may purchase jackets for their own children provided the school designates the student as being qualified to receive the jacket.

Booster Clubs may raise money to provide an annual banquet for academic participants and coaches.

With prior administrative approval, you may also:

- \*Purchase equipment for programs such as computers or software for yearbook or computer science;
- \*Organize and chaperone trips and assist with expenses for travel to academic competitions or educational trips such as journalism conventions or speech tournaments. Booster club funds may be used to provide food and refreshments for students on these trips. A purely recreational trip to Six Flags

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Over Texas would not meet the definition of an educational field trip and could be considered a violation of the Awards Rule;

\*Run tournaments, organize fund-raising efforts, recruit corporate donors, raise money for scholarships and arrange for tutors and professional trainers to work with students;

\*Fund academic workshop scholarships provided selection of the recipients is not based solely on their success in interscholastic competition. Selection could be based on grade point average or the student's selection of high school courses. All students meeting the conditions for scholarship assistance should be notified and eligible for financial assistance. Funds should be monitored to ensure that they are expended for camp or workshop purposes.

We wish we had more academic booster clubs, whether they cover UIL academic competition in general or specific programs such as theatre, speech/debate, journalism or math/science. A great need exists for parental involvement and support.

## | MUSIC BOOSTERS |

In addition to the general procedures outlined, the following guidelines apply to Music Booster Club activities.

\*Some music booster clubs assist with expenses for travel to various music-related activities such as UIL contests and performances at away athletic events. Such financial support violates no UIL rules provided that it is approved and coordinated by the local school district.

\*Many music groups schedule educational field trips with the approval of the local school administration and under local school district policies. For such trips, specific educational components must be included such as performing for a music festival, an adjudicated contest or a concert tour. Marching performances such as the Macy's Thanksgiving Day Parade, the Rose Bowl Parade or other similar ceremonial appearances also qualify. However, educational components need not be limited to performances. Concert attendance, visiting university/conservatory music facilities and other music related, non-performing opportunities would also be appropriate if approved by the local school district.



\*A recreational trip, on the other hand, would not meet the definition of an educational field trip as provided in Section 480 of the UIL Constitution and Contest Rules. Students receiving the benefits of a purely recreational trip would likely be in violation of the Awards Rule.

\*Booster Clubs may also fund scholarships for private

lessons and summer music camps provided the selection of the recipients is not based on success in interscholastic competition. Funds for such activities should be carefully monitored to ensure that they are expended for educational rather than recreational activities.

\*The awarding of patches, T-shirts or other items for achievement in interscholastic competition would be subject to the UIL Awards Rule. In order to protect all music students' eligibility, such awards should be approved and administered by the local school district in accordance with school district policies.

\*Be mindful of the fact that there is no Music Amateur Rule. Therefore, limitations established in athletics intended to ensure compliance with the Athletic Amateur Rule do not apply to music programs and related activities.

## What You Can Do:

### Parents

- \*Remember: The classroom comes first!
- \*Help conduct fair and equitable competition: adhere to rules, uphold the law and respect authority.
- \*Remember that officials are human. Respect their decisions.
- \*Delegate authority to the school, then support its decisions.
- \*Set standards by which you expect children to conduct themselves, and live by those standards yourself.
- \*Be aware of capabilities and limitations of young people. Don't have unrealistic expectations.
- \*Allow your children to live their own lives.
- \*Be involved in areas in which your own child is not involved, thus contributing to school unity and spirit.
- \*Show respect to the opponents of your children.
- \*Praise. Don't criticize. Urge others to do the same.
- \*Help your children and their friends develop integrity through the intensity of competitive activity.

### Work with the administration

- \*Positive and direct communication can prevent most problems. Keep the superintendent informed of all activities.
- \*Make sure your local administration has a copy of all club publications.
- \*Invite administrators to all booster club meetings.
- \*Have an officer meet with the school administration regularly.
- \*Have a chain of command for communication with the administration.
- \*Clear all activities through your administration.

### Coaches and Fine Arts directors

- \*Be sure your booster club wish list has been approved by your supervisor before it goes to the booster club.
- \*Work with your administration to determine what your club can provide.
- \*Make your request to the club benefit as many students as possible.
- \*Attend the booster club meetings and/or know what the club is doing.
- \*Understand that your advisory role to the boosters is without vote.
- \*Support other programs within your district.
- \*Meet with parents regularly and make them aware of relevant rules.
- \*Involve your staff with your booster club. Let the booster club know who your staff is and what duties they perform.

[www.uiltexas.org](http://www.uiltexas.org)

Updated August 2011

# Exempt Organizations: Sales and Purchases

Susan Combs, Texas Comptroller of Public Accounts

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*Organizations that have applied for and received a letter of exemption from sales tax don't have to pay sales and use tax when they buy, lease or rent taxable items that are necessary to the organization's exempt function.*

For more information, visit our website [www.window.state.tx.us](http://www.window.state.tx.us). Receive tax help at <https://www.window.state.tx.us/taxhelp/>.

## Exempt Status Overview

The Texas Tax Code provides tax exemptions for certain qualifying organizations for sales tax, hotel occupancy tax and franchise tax. The exemptions for which an organization might qualify are determined by the organization's purpose, activities and its formation.

## Exemption Criteria

Exemption from these state taxes are based largely on an organization's affiliation with its parent entity, assuming the following criteria:

- the organization is a recognized subordinate under the parent organization's group exemption;
- the parent organization's group exemption meets the requirements for exemption from one or more of these state taxes; and
- the parent organization's group exemption has been established on the Comptroller's records.

The parent organization's group exemption may be classified as a federal group exemption under one of the following 501(c) sections of the Internal Revenue Code (IRC): 501(c)(2), (3), (4), (5), (6), (7), (8), (10), (16), (19) and (25).

The group exemption may also be under another category of exemption, such as the religious, educational or charitable exemption provisions within the state statutes.

## Exemption Application

For an organization to be exempt from these state taxes based on its recognition as a

subordinate under the parent organization's group exemption, the organization must complete the appropriate exemption application, and include:

- a letter from the parent organization that states the organization is a recognized subordinate under the group exemption
- the basis of the group exemption [i.e. 501(c)(3), 501(c)(6), religious, etc.]
- the date the organization was first recognized as a subordinate under that group exemption.

Exemption applications are available online at [www.window.state.tx.us/taxinfo/exempt](http://www.window.state.tx.us/taxinfo/exempt).

*Guidelines to Texas Tax Exemptions* (96-1045) can be found online at [www.window.state.tx.us/taxinfo/taxpubs/tx96\\_1045.html](http://www.window.state.tx.us/taxinfo/taxpubs/tx96_1045.html).

If the parent organization's 501(c) federal group exemption has not yet been established, the parent organization must submit to the Comptroller:

- a copy of the parent organization's Internal Revenue Service (IRS) 501(c) group exemption ruling letter and
- the IRS four-digit group exemption number.

The IRS website is [www.irs.gov](http://www.irs.gov).

## Examples of Non-Taxable Entities

Entities that are exempt by law do not need to apply for exemption. Examples of legally exempt entities include:

- the U.S. government, its political subdivisions, agencies and departments, and all branches of its military;

## Exempt Organizations: Sales and Purchases

- Texas state and local governments, their agencies, departments, cities, school districts and other political subdivisions;
- Federal Credit Unions organized under 12 United States Code, §1768

Texas public schools, colleges and universities are exempt from sales tax under Section 151.309 of the Texas Tax Code. Texas colleges, universities and all public and private elementary and secondary schools are exempt from state hotel tax under Section 156.102.

Parent-teacher associations and booster clubs must apply for exemption as they are generally not covered by the school's exempt status.

The Tax-Exempt Entity Search lists entities with a current exemption from franchise, sales and/or hotel tax. Entities that are exempt by law will not normally be listed on the search. View the search online at [http://window.state.tx.us/taxinfo/exempt/exempt\\_search.html](http://window.state.tx.us/taxinfo/exempt/exempt_search.html).

### SALES TAX

#### *Tax-Exempt Purchases*

Organizations that have received a letter of sales tax exemption from the Texas Comptroller do not have to pay sales and use tax on taxable items they buy, lease or rent if the items are necessary to the organization's exempt function.

Exempt organizations should claim an exemption at the time of purchase by providing a properly completed exemption certificate in lieu of paying tax to the retailer. A government entity's purchase voucher is sufficient proof of exempt status and an exemption certificate is not required on its purchases. Foreign governments and

government agencies from other states are not exempt from Texas sales and use tax.

#### *Retailers*

Retailers must collect tax from an exempt organization unless a valid exemption certificate or government purchase voucher is provided. Retailers are not required under Texas law to accept a claim for exemption, but may choose to do so by accepting, in good faith, a properly completed exemption certificate.

If a retailer chooses not to honor an exemption certificate, the exempt organization can ask the seller to provide a properly completed Assignment of Right to Refund so the purchaser can request a refund of the tax directly from the Comptroller.

#### *Individuals*

An authorized agent or employee can make tax-free purchases for an exempt organization by giving the vendor a completed exemption certificate. Items purchased tax free by an exempt organization cannot be used for the personal benefit of an individual or other private party.

When buying an item to be donated to an exempt organization, an individual can give the seller an exemption certificate in lieu of paying tax. If the individual uses the item before donating it, however, the exemption is lost and tax is due.

An employee of an exempt organization cannot claim an exemption when buying taxable items of a personal nature, even if the organization gives an allowance or reimbursement for such items. For example, meals, toiletries, clothing and laundry services are for personal use and are taxable.

*Generally, an exempt organization must get a sales tax permit and collect and remit sales tax on all taxable items it sells.*

For more information, visit our website [www.window.state.tx.us](http://www.window.state.tx.us). Receive tax help at <https://www.window.state.tx.us/taxhelp/>.

## Exempt Organizations: Sales and Purchases

Anyone traveling on official business for an exempt organization must pay sales tax on taxable purchases such as parking, whether reimbursed per diem or for actual expenses incurred.

A sales tax exemption does not include taxes on the purchase, rental or use of motor vehicles. Motor vehicle tax information is provided below.

### **Refunds**

An exempt nonprofit organization is not eligible to receive refunds for purchases made on or after Sept. 1, 2009, if the purchase was made prior to the postmark date of the organization's application for exemption, or the date of the sales tax liability assessment as a result of a Comptroller audit, whichever is earlier.

If the Comptroller determines the organization met exemption requirements for a period prior to Sept. 1, 2009, based on the laws in effect during that period, purchases made by the organization within that period will be eligible for a sales tax refund, subject to the four-year statute of limitations.

These provisions apply to sales and use taxes paid by an organization directly to the Comptroller's office or to vendors and to refund claims filed with the Comptroller's office or with vendors. These provisions do not apply to governmental entities exempted under Tax Code Section 151.309.

The [Tax-Exempt Entity Search](#) can be used to verify the effective date of an organization's exemption qualification. Contact our office to confirm the organization's exempt status and eligibility for a refund of sales tax paid prior to Sept. 1, 2009, by calling (800) 252-5555, or email us at [exempt.orgs@cpa.state.tx.us](mailto:exempt.orgs@cpa.state.tx.us)

### **Should an exempt organization collect sales tax?**

Exempt organizations must get a sales tax permit <http://window.state.tx.us/taxpermit> and collect and remit sales tax for all taxable items it sells. Exemptions are for purchases, not sales, though some exceptions are detailed below.

### **Examples of Tax-Free Sales**

#### **Fundraisers**

An organization does not have to register for a sales tax permit if all its sales are of exempt items, or sales made through tax-free fundraisers.

#### **Meals and Food Products**

Exempt organizations do not have to collect sales tax on meals and food products, including candy and soft drinks, if the items are:

- sold by churches or at church functions conducted under the authority of a church;
- sold or served by a public or private school, school district, student organization or parent-teacher association in an elementary or secondary school during the regular school day by agreement with proper school authorities, including vending machine sales; or
- sold by a member or a volunteer of a non-profit organization devoted exclusively to education or to physical or religious training, or by a group associated with private or public elementary and secondary schools as part of an organization's fund-raising drive, when all net proceeds from the sale go to the organization for its exclusive use.

**Note:** Alcoholic beverages are taxable. Sales of alcoholic beverages made by the holder of a mixed beverage permit are subject to the 14 percent mixed beverage gross receipts tax. Sales of beer and wine made by the

For more information, visit our website [www.window.state.tx.us](http://www.window.state.tx.us). Receive tax help at <https://www.window.state.tx.us/taxhelp/>.

## Exempt Organizations: Sales and Purchases

holder of a beer and wine only permit are subject to sales tax.

### **Annual Banquets and Suppers**

All volunteer, organizations can hold a tax-free annual banquet or other food sale provided the event:

- is not professionally catered;
- is not held in a restaurant, hotel or similar place of business;
- is not in competition with a retailer required to collect tax; and
- the food is prepared, served and sold by members of the organization.

**Note:** The exemption does not apply to the sale of alcoholic beverages.

### **Auctions, Rummage Sales and Other Fundraisers**

Each chapter of an exempt organization under the religious, educational or charitable categories, and organizations exempted from sales tax based on their IRS Section 501 (c) (3), (4), (8), (10) or (19) status, can hold two one-day, tax-free sales or auctions each calendar year (January – December).

Youth athletic organizations, volunteer fire departments, chambers of commerce and governmental entities may not hold tax-free sales or auctions.

### **One-Day Sales**

For one-day sales, exempt organizations are not required to collect sales tax. This exemption does not apply to items sold for more than \$5,000, unless the item is manufactured by the organization or the item is donated to the organization and not sold back to the donor.

For purposes of the exemption, “one day” is counted as 24 consecutive hours. These days should be pre-designated so purchasers are aware of the tax exemptions. Organizations

are prohibited from collecting and keeping taxes on these transactions.

The designated one-day, tax-free sale day is either the day the vendor delivers the items to the exempt organization or the day the organization delivers the items to its customers. Persons buying from surplus inventory on the designated date do not owe tax. For example, a church group selling cookbooks may accept pre-orders without collecting tax if the day the cookbooks will be delivered to customers is designated as one of the group’s tax-free fundraisers. Surplus cookbooks sold during the same day also qualify for the exemption. Surplus cookbooks sold on other days are taxable unless sold at the group’s other tax-free fundraiser.

If two or more groups together hold a one-day, tax-free sale, the event counts as one tax-free sale for each participating organization.

If an exempt organization is purchasing taxable items for resale during its designated tax-free sale days, and it holds a sales tax permit, the organization may either give the retailer a resale certificate, Form 01-339 (front), or an exemption certificate, [Form 01-339 \(back\)](#), to purchase the items tax free.

A non-permitted exempt organization, however, may purchase items for resale tax free by issuing an exemption certificate to the vendor for items sold during its two one-day, tax-free sales.

### **Student Organizations (Higher Education)**

College or university student organizations affiliated with an institution of higher education can hold a one-day, tax-free sale each month. The organization must have a primary purpose other than engaging in business or performing an activity designed to make a profit, and the purpose of the sale

*An employee of an exempt organization cannot claim an exemption when buying taxable items of a personal nature, even if the organization gives an allowance or reimbursement for such items.*

must be to raise funds for the organization. This exemption does not apply to items sold for more than \$5,000, unless the item is manufactured by the organization or the item is donated to the organization and not sold back to the donor.

### ***Non-Qualifying Fundraisers: Acting as an Agent or Sales Representative***

When engaging in fundraising activities, an exempt organization needs to identify the seller of the taxable items in order to determine responsibility for collecting tax.

In some fundraising activities, an exempt organization will enter into a contract with a private, for-profit entity to sell taxable items. For example, a group may receive a commission for holding a book fair or for selling candy, gift wrap, or similar items, or the group will be provided with sales brochures and take orders for fulfillment by the for-profit entity. The exempt entity may collect the funds and remit an agreed portion to the for-profit entity. In these cases, the fundraising firm is considered the seller and is responsible for collection of applicable sales and use taxes. Exempt organizations are not responsible for sales taxes and does not use one of the organization's tax-free sales days for the fundraiser.

Many fundraising companies include sales tax due in the selling price of items. This practice is acceptable when the for-profit company discloses on the invoices or order brochures that Texas sales tax is included in the sales price. This allows the company to remit to the state any due sales taxes. In this instance, the exempt organization is not required to collect any tax amount over the sales price.

### ***Senior Citizens Groups***

Nonprofit senior citizen groups do not have to collect or remit sales tax on items they make and sell, provided they do not have

more than four fundraising events per calendar year for a total of not more than 20 days per calendar year.

### ***Amusement Services***

The sale of an amusement service provided exclusively by an exempt organization, other than an IRS Section 501(c)(7) organization, is exempt from sales tax as long as the proceeds do not benefit an individual except of a purely public charity See Rule 3.298, Amusement Services. For example, the sale of a ticket to a school carnival, dance, athletic event or musical concert is exempt.

For an event to qualify for exemption, the organization must distinguish itself as the sole provider in advertising (for example, billboards, radio, television and other media promoting the event), as well as on the face of the physical tickets. Tickets should reflect that the exempt organization is the provider, and that the event is exempt from Texas sales and use tax.

### ***Can a nonprofit organization hire a for-profit entity?***

A nonprofit organization is allowed to hire a for-profit entity to supply expertise required to produce an event as long as the for-profit entity is not also considered a provider of the amusement service.

### ***Membership Dues and Fees***

Nonprofit groups' membership dues and fees are tax exempt. Country clubs and similar organizations that provide amusement services do not qualify for this exemption.

### ***Publications***

Periodicals and writings are tax exempt if published and distributed by a religious, philanthropic, charitable, historical, scientific or IRS 501(c)(3) organization. Materials

## Exempt Organizations: Sales and Purchases

published by educational organizations do not qualify for this exemption.

### **Hotel Occupancy Tax**

#### ***Charitable, Educational or Religious Organizations***

Charitable, educational or religious organizations that have received a letter of tax exemption from the Comptroller may claim exemption from the 6 percent state hotel occupancy tax. Local hotel tax must be paid, with some exceptions.

An organization can apply for exemption by using the appropriate application form.

*Guidelines to Texas Tax Exemptions (96-1045)* provides more details on the exemption process.

#### ***Entities Exempt from State and Local Hotel Occupancy Tax***

Entities exempt from both state and local hotel occupancy tax include:

- the U.S. government and its agencies, departments and all branches of the U.S. military. Government contractors are not exempt;
- foreign diplomatic personnel issued a hotel tax exemption card by the U.S. Department of State Office of Foreign Missions.
- designated Texas state officials who are issued a hotel tax exemption photo ID or card.
- nonprofit entities exempt from tax by law, other than the hotel tax, and who have received a letter of tax exemption from the Texas Comptroller.

Texas state agencies are not exempt, but may apply for a refund of hotel tax paid by employees to a hotel.

#### ***Traveling Employees***

An employee of an exempt organization traveling on official business is exempt. The manner of payment does not affect the exemption. For a representative who is not an employee, the exempt organization must pay the hotel directly with its funds (e.g., organization check, organization credit card or direct billing by the hotel).

#### ***How to Claim Hotel Tax Exemption***

A completed Texas Hotel Occupancy Tax Exemption Certificate, must be presented to the hotel to claim the exemption.

An exemption certificate may be accepted, in good faith, when presented with the supporting documentation described in Rule 3.161(c)(2).

The Tax-Exempt Entity Search lists organizations that are exempt from sales, franchise and/or hotel occupancy taxes. Note: Entities that are exempt by law will not be normally listed on this search.

#### ***Motor Vehicle Sales and Use Tax***

Motor vehicle sales tax exemptions are in very limited. The following qualifying organizations may claim an exemption from motor vehicle tax at the time of purchase on the Application for Certificate of Title.

Some nonprofit emergency medical service providers and volunteer fire departments can buy fire trucks and emergency medical response vehicles tax free.

Churches do not have to pay tax when they purchase, rent or lease vans and buses designed to carry more than six passengers, as long as the vehicle is used at least 80 percent of the time to transport people to and from church services or religious meetings.

Tax is due, however, on vehicles purchased for a minister's personal use.

Licensed childcare facilities that provide 24-hour residential care in a single residential group, both to children who do not require specialized services or treatment and children who are emotionally disturbed, may claim an exemption on the purchase, rental or lease of a vehicle that will be used primarily in transporting children residing at the facility.

### **Motor Vehicle Gifts and Nonprofit Organizations**

A vehicle that is donated to, or given by, a nonprofit service organization qualifying under the Internal Revenue Code, Sec. 501(c)(3) is eligible for the \$10 gift tax.

To document a gift, both the donor and person receiving the vehicle must complete a joint notarized Affidavit of Motor Vehicle Gift Transfer (Form 14-317) describing the transaction and the relationship between the parties. This document should be provided to the county tax assessor-collector along with the [Application for Certificate of Title](#).

### **Motor Vehicles Rentals**

The following organizations may claim a tax exemption when renting a motor vehicle:

- **public agency** – a public agency is an instrumentality of the U.S. government or a department, commission, board, office, institution or other agency of this state or of a county, city, town, school district,

hospital district, water district or other special district or authority or political subdivision created by or under the Texas Constitution or statutes.

- **churches or religious societies** – no tax is due if the vehicle is designed to carry more than six passengers and at least 80 percent of the vehicle's operating time is used to provide transportation to and from church or religious services or meetings. A vehicle rented for the official or personal use of a minister or other church or organizational members is not exempt, even if the vehicle will be used for a church sponsored activity.
- **certain childcare facilities** – no tax is due when renting a vehicle to a qualified residential childcare facility to be used primarily to transport children residing in the facility. A qualified residential child-care facility means one licensed under Chapter 42 Human Resources Code to provide residential care 24 hours a day in a single residential group to children who do not require specialized services or treatment and children who are emotionally disturbed.

### **How to Claim Rental Vehicle Exemption**

To claim an exemption when renting a qualifying motor vehicle, the organization must include a [Motor Vehicle Rental Exemption Certificate](#) to the rental contract.

The certificate must be signed by an authorized representative of the group or organization that is renting the vehicle.

Vehicle rentals to other nonprofit or public service organizations, even if the organization is funded by a public agency, are not eligible for exemption.

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**A completed copy of this form should be obtained from the Purchasing Office:**

CREATION 01-339 (Back)  
of Public  
ACCOUNTS  
FORMS (Rev.7-10/7)

## Texas Sales and Use Tax Exemption Certification

*This certificate does not require a number to be valid.*

Name of purchaser, firm or agency	
Address (Street & number, P.O. Box or Route number)	Phone (Area code and number)
City, State, ZIP code	

I, the purchaser named above, claim an exemption from payment of sales and use taxes (for the purchase of taxable items described below or on the attached order or invoice) from:

Seller: \_\_\_\_\_

Street address: \_\_\_\_\_ City, State, ZIP code: \_\_\_\_\_

Description of items to be purchased or on the attached order or invoice:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Purchaser claims this exemption for the following reason:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I understand that I will be liable for payment of all state and local sales or use taxes which may become due for failure to comply with the provisions of the Tax Code and/or all applicable law.

*I understand that it is a criminal offense to give an exemption certificate to the seller for taxable items that I know, at the time of purchase, will be used in a manner other than that expressed in this certificate, and depending on the amount of tax evaded, the offense may range from a Class C misdemeanor to a felony of the second degree.*

 Purchaser	Title	Date
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**NOTE:** This certificate cannot be issued for the purchase, lease, or rental of a motor vehicle.

***THIS CERTIFICATE DOES NOT REQUIRE A NUMBER TO BE VALID.***

Sales and Use Tax "Exemption Numbers" or "Tax Exempt" Numbers do not exist.

This certificate should be furnished to the supplier. Do not send the completed certificate to the Comptroller of Public Accounts.