

Friendswood

FISD

PTO Manual

2023-2024

Introduction

PTO's are parent organizations established to promote school programs and student interest groups. Research confirms that when students engage in activities that expand their mastery of skills and share a common interest with other students, qualities such as compassion, dedication, teamwork, and leadership emerge. Friendswood Independent School District greatly appreciates the time, effort, and financial support PTO's provide our students in achieving these goals.

In addition to District policy, regulatory agencies such as the IRS, Texas Comptroller's Office, and the Texas Secretary of State. PTO's must abide by the regulations and guidelines set forth by these agencies. PTO's should be aware that laws change frequently, so participation in annual PTO training and receiving all emails from FISD Finance Department are essential components to keeping the PTO in compliance.

While PTO's work cooperatively and closely with the District and its employees, a PTO is a separate business entity from the District; maintaining their own tax ID numbers (Federal EIN and State Tax ID). PTOs file taxes individually at annual or quarterly intervals and are responsible for the payment of taxes or late fees incurred as a result of failure to file taxes in a timely manner. That said, the District maintains the authority to regulate these organizations should a PTO become insupportable for any reason. In such instance, Principals or District Administrators have the right to dissolve or reform a PTO at his/her discretion.

The *PTO Manual* is prepared and updated each year with the goal of each PTO. The FISD CFO and Business Manager will provide guidance to PTO's throughout the year and are available to assist the group at any time.

- In the electronic version, hyperlinks to websites are noted with [blue underlined](#) text.
- The electronic copy of this manual is available on the District's website under the Finance Department.



FISD is not a licensed authority on UIL, accounting, legal or tax-related issues. Therefore, PTO's are advised to obtain independent counsel on related matters at their own expense.

The use of product or service company names within this manual, in monthly newsletters or during training does not imply endorsement by FISD or the author.

Contact List - Schools

SCHOOLS			
SCHOOL	PRINCIPAL	EMAIL	PHONE
Friendswood High School	Mark Griffon	mgriffon@fisd12.net	281-482-3413
Friendswood Junior High	Dana Drew	ddrew@fisd12.net	281-996-6200

Contact List – Others

DISTRICT ADMINISTRATORS				
Athletics Department	Jordan Johnson, Director	702 Greenbriar Friendswood, TX 77546	jjohnson1@fisd12.net	281-996-6555
	Daron Scott, Asst. Director		dscott@fisd12.net	281-996-6552
Background Checks	Hope Coburn, Human Resources Coordinator	302 Laurel, Friendswood, TX 77546	hcoburn@fisd12.net	281-996-6604
Facility Rentals	Mari Castellanos, Rental Coordinator	400 Woodlawn, Ste. C Friendswood, TX 77546	mcastellanos@fisd12.net	281-996-2582
Finance Department	Amber Petree, Chief Financial Officer	302 Laurel, Friendswood, TX 77546	apetree@fisd12.net	281-996-6609
	Paula Pierce, Director of Finance		ppierce@fisd12.net	281-996-6617
	Becky Yawn, Business Manager		ryawn@fisd12.net	281-996-6619

IRS (INTERNAL REVENUE SERVICE)

IRS Exempt Organization (EO) hotline		877-829-5500
	<ul style="list-style-type: none">• EIN or Exempt status verification• Tax questions	

TEXAS COMPTROLLER'S OFFICE

General questions – Sales tax number, Filing help, Exemption	800-252-5555
WebFile help – WebFile number, login	800-442-3453
Franchise Tax help	800-252-1381

Calendar

2023	Month	Day	Item due
	September	1	Audit packets due to Business Manager via email or mail.
	October	20	Quarterly sales tax due to Texas Comptroller's Office (3 rd quarter) ⁽¹⁾
	November	15	Form 990-N (e-postcard), 990-EZ or 990 due to IRS ⁽²⁾
	December	NOTHING DUE	

2024	Month	Day	Item due
	January	20	Quarterly sales tax due to Texas Comptroller's Office (4 th quarter) ⁽¹⁾ ---or---- Annual sales tax due to Texas Comptroller's Office ⁽¹⁾
	February	NOTHING DUE	
	March	NOTHING DUE	
	April	20	Quarterly sales tax due to Texas Comptroller's Office (1 st quarter) ⁽¹⁾
	May	15	Franchise tax due to Texas Comptroller's Office ⁽³⁾
	June	NOTHING DUE	
	July	20	Quarterly sales tax due to Texas Comptroller's Office (2 nd quarter) ⁽¹⁾
	August		District held annual PTO training
	September	1	Audit packets due to Business Manager via fax, email or mail.

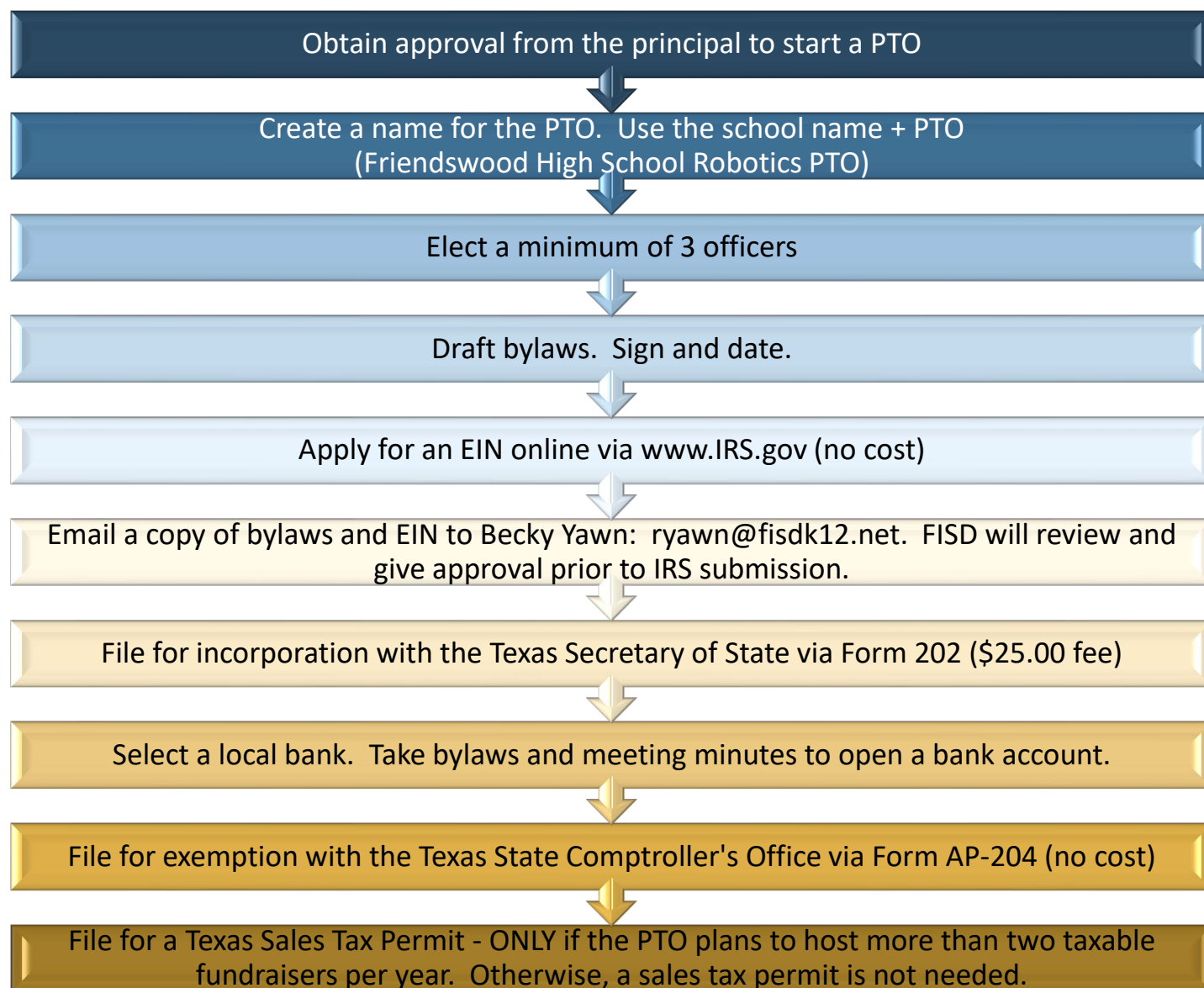
Notations

- (1) PTO's either file quarterly or annual sales tax. Check with your predecessor on how the PTO files. Please call the Texas Comptroller's Office with any questions.
- (2) Federal taxes are due 15 days after the 5th month of the PTO's year end. The majority of PTO's have a year-end of June 30, which calculates to a due date for federal taxes of November 15.
- (3) Tax-exempt organizations should not have to file Franchise Tax. If the PTO receives a notice to file, please log into WebFile and file for the year. Afterwards, please call Becky Yawn for information on removing this requirement via Form AP-204.



District & PTO Guidelines

How to start a PTO in FISD



Links mentioned above

- IRS application for EIN (online Form SS-4): <https://sa.www4.irs.gov/modiein/individual/index.jsp>
- Texas exemption application (Form AP-204): <http://comptroller.texas.gov/taxinfo/taxforms/ap-204.pdf>
- Texas Sales Tax Permit (online application): <http://comptroller.texas.gov/taxes/permit/>
- Texas Secretary of State (Form 202) Certificate of Formation Nonprofit:
http://www.sos.state.tx.us/corp/forms/202_boc.pdf

BYLAWS

Bylaws are the operating rules specific to each PTO and are required by FISD and the IRS. Bylaws help resolve conflict, define processes, and provide a road-map for future officers. The campus principal may require a copy; please provide if requested. Bylaws should be signed and dated by two officers and updated annually through amendments to reflect any changes that occur throughout the year.

DISSOLUTION OR TERMINATION OF A PTO

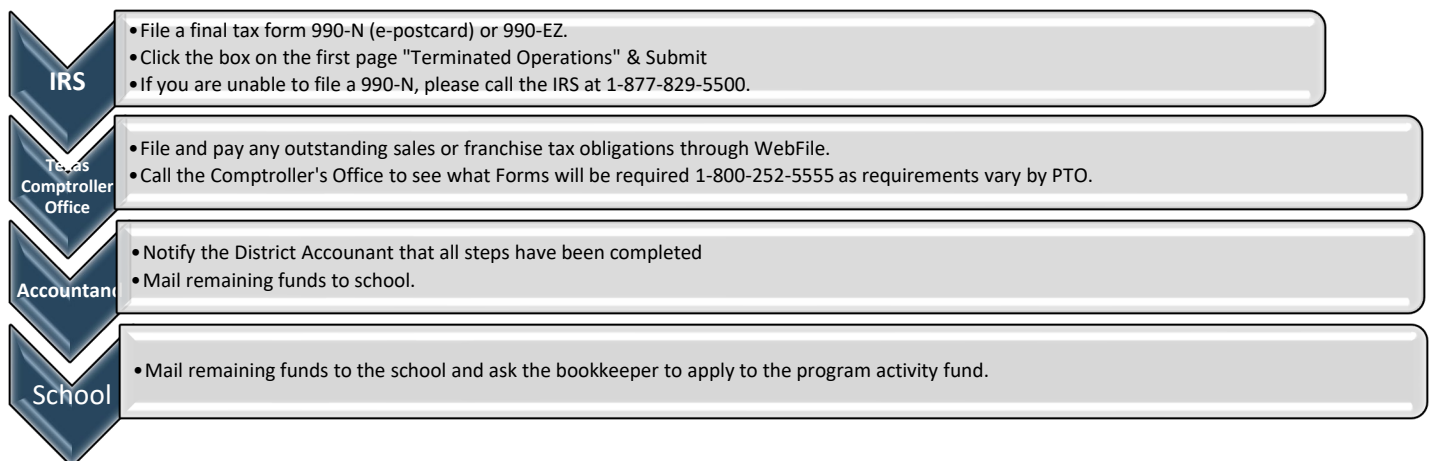
At times, PTO's may become insupportable due to lack of member support, financial instability, failure to file taxes, or due to PTO conflict. PTO members may vote to dissolve with majority vote as defined in PTO bylaws. FISD and the IRS require the return of money remaining in a bank account to the campus activity fund in care of the school within 30 days. Any other distribution of funds is strictly prohibited by law.

It is FISD's practice that the principal of each campus maintains the right and authority to dissolve or reform a PTO at his/her discretion if it is determined that the PTO is not functioning in a way consistent with program, campus, UIL, federal, state or district policies. PTO funds are required to be deposited in the campus activity fund in care of the school within 30 days.

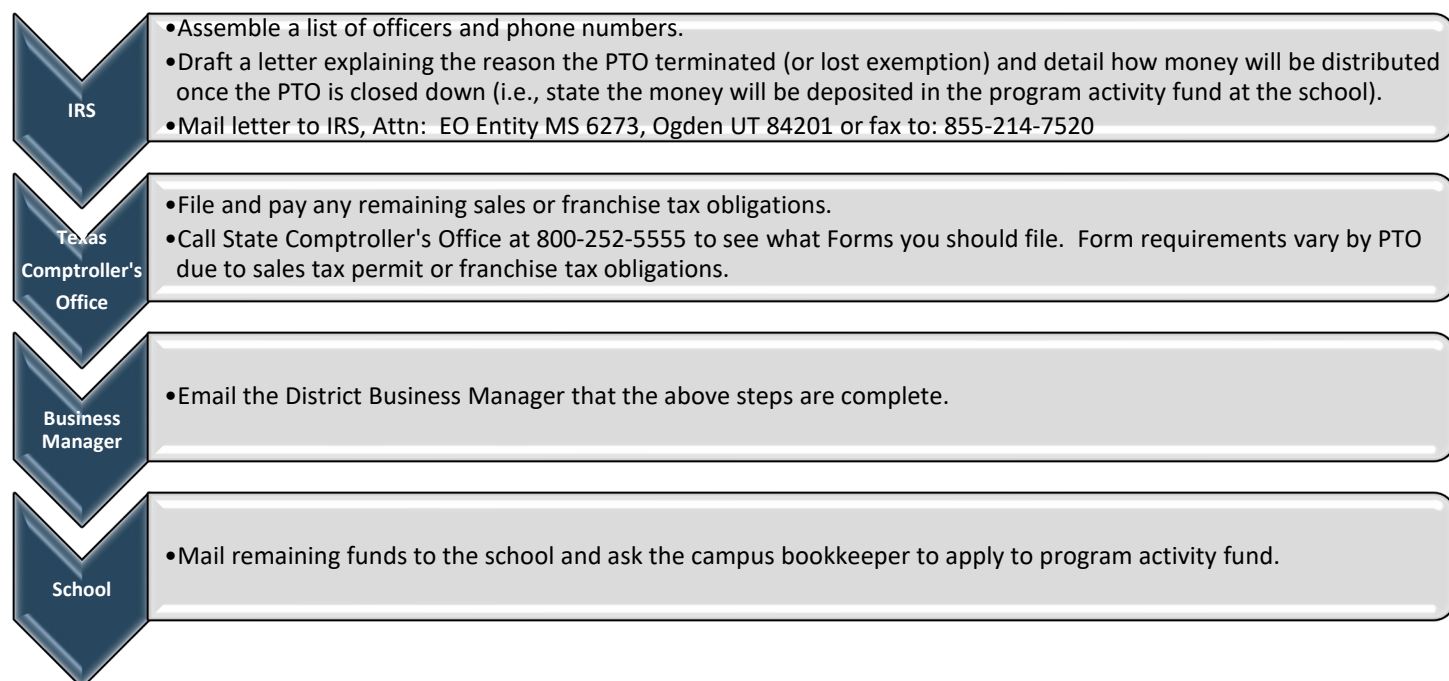
Per the Secretary of State – if dissolved, all records of the PTO must be returned to the campus administrator and the District Business Manager within 30 days of dissolution.

Steps need to be taken to properly close down a PTO or otherwise face costly late fees and fines from taxing authorities. Procedures for PTO's in good standing and revoked standing are outlined below.

Situation 1: PTO's that are in good standing with the IRS but choose to terminate.



Situation 2: PTO's that have been revoked of exemption from IRS or State Comptroller.



TRANSPARENCY AND ACCOUNTABILITY

Nonprofits have a legal and ethical obligation to their constituents and the public to conduct their activities with accountability and transparency. External visibility builds public understanding and trust in the organization. Nonprofits are required to provide information to the public about their mission, activities, finances, accomplishments and decision-making processes if requested in writing within 30 days.

According to Section 22.353 of the Texas Business Organizations Code with the Secretary of State, “certain nonprofit corporations [are required] to make all records, books and annual reports of financial activity available to the general public for inspection and copying.”

Chapter 552, Section 552.003(1)(A) of the Government Code under the Texas Public Information Act requires “... an organization, corporation, commission, institution or agency that spends or that is supported in whole or in part by public funds” to make books and records available to the public.

Definition of Roles

MEMBERS

The PTO works through and cooperatively with the sponsor/coach to provide assistance for the planned activities of the student group. “Membership” should be defined in the PTO bylaws and a connection to a student (parents, guardians, step-parents, or grandparents). Only active members should have the ability to vote or hold an office. Unrelated individuals may volunteer for a PTO, but cannot vote or hold an office. Membership dues are not a requirement for participation in a PTO nor should the absence of such dues exclude a child from participating in a PTO or program sponsored event. Family members should not serve simultaneously as officers as this presents a conflict of interest.

Members of a PTO may not speak or represent themselves on the behalf of the District or District employees. Members may further the public’s awareness of a PTO, but public speaking responsibilities are to be performed by a school district employee.

SPONSOR

The program sponsor serves as the liaison between the PTO and the school, under the direct supervision of the principal. The sponsor is responsible for determining the program activities with the approval of the principal. The sponsor should work closely with the PTO during the budget cycle to avoid cost overruns and to ensure program needs are met. The sponsor is prohibited from serving as an officer of a PTO, being a member of a PTO, or being an authorized signer on the PTO bank account. Cooperative partnerships work best when lines of communication between the sponsor and PTO are open, and as a result, will foster an environment of trust and ultimately, success.

PRINCIPAL AND DISTRICT ADMINISTRATORS

The Principal or Administrator is responsible for approving the formation of a PTO as well as PTO fundraising activities. The Principal should be welcome at PTO meetings (but is not required to attend) and must approve any activity of the PTO that affects the school (i.e., fundraising on school property, banquets, or other events). PTO’s do not have the authority to direct the duties of a school district employee nor do PTO’s have the authority to spend money for the school’s benefit without the knowledge and approval of the Principal. The scheduling of contests, rules for participation, and all other criteria dealing with school programs are under the jurisdiction of the local school administration. If the principal determines that the PTO is not functioning in a way consistent with school and/or district policies, the principal has the authority to dissolve the PTO at any time. Dissolution/termination procedures are found on pages 7-8.

PTO Officers

Only active members of a PTO that are in good standing with the organization shall be permitted to hold a PTO office. At a minimum, the organization must have three officers (President and Treasurer are required). Term limits for officers should be defined in the PTO's bylaws; otherwise, the District requests that officers serve no more than two years in the same office on the board of a PTO. PTO's may vote to temporarily extend the position to a third term if evidence is provided that shows no other alternative. A request for an exception should be presented to the District Business Manager for review. Please note that District employees are not allowed to be bank signers, but can serve on the board in positions that do not require bank signatures. FISD requires all officers to give authorization and pass a background check each year.

PRESIDENT

The President of a PTO must have prior experience with the PTO. The major duties include, but are not limited to:

- Perform duties as outlined in the bylaws of the organization;
- Preside at all meetings of the organization;
- Regularly meet with the Sponsor or Campus Administrator regarding booster activities;
- Regularly meet with the Treasurer of the PTO to review the organization's financial position;
- Resolve problems in membership.

VICE-PRESIDENT

The vice-president acts as the president's representative in his/her absence. The vice-president must remain familiar with the organization's day-to-day operations in order to be an engaged leader. Larger PTO's may wish to elect multiple vice-presidents (or co-presidents) with responsibilities covering specific areas (e.g., VP of Fundraising, VP of Advertising, etc.). Such responsibilities should be defined in the PTO's bylaws. The major duties include, but are not limited to the following:

- Preside at meetings in the absence of the president;
- Perform administrative functions as delegated by the president;
- Perform other specific duties as outlined in the bylaws of the organization.

SECRETARY

The secretary is responsible for keeping accurate records at PTO meetings (i.e., minutes) and providing monthly meeting minutes to the PTO members. The secretary should have a thorough understanding of proper meeting procedures (i.e., [Roberts Rules of Order: http://www.rulesonline.com/](http://www.rulesonline.com/)) – a diagram of Roberts Rules is found on page 24. The major duties include, but are not limited to the following:

- Record meeting minutes; understand bylaws and standing committee rules; keep current membership lists; record meeting attendance and committee listings;
- Correspond regularly with all members of the PTO (e.g., newsletter, etc.).

TREASURER

The most active and perhaps time-consuming job in a PTO is the role of Treasurer. Therefore, carefully consider the following list before applying for this role. The Treasurer is ultimately responsible for assuring that all financial records are maintained and taxes are filed on time to avoid penalties and loss of exemption.

The Treasurer is the authorized custodian of the funds of the PTO. The Treasurer receives and disburses all funds in accordance with the organization's bylaws. The Treasurer also files all state and federal taxes. Due to increasing requirements placed on charitable organizations by the IRS, it is strongly suggested that the Treasurer have a business background. The major duties include, but are not limited to:

- Manage all money associated with the PTO
- Maintain an accurate account of all money received and distributed;
- Prepare the PTO's annual budget (work with the sponsor/coach) and seek voter approval annually;
- Issue a receipt for all monies received;
- Deposit funds immediately or within 3 days of receipt;
- Reconcile bank statements within one month of receipt and resolve any discrepancies immediately;
- Present detailed monthly financial reports to the PTO – Copies of supporting material should be available for review by the general membership if requested and questions answered promptly;
- File sales tax reports as required by the State of Texas Comptroller's office (quarterly or annually);
- File annual IRS federal tax Form 990, 990-N (e-postcard), or 990-EZ within 15 days after the 5th month of the PTO's fiscal year end;
- Submit records to audit committee appointed by the organization at the end of the year;
- Other specific duties as outlined in the bylaws of the organization.

SPECIAL COMMITTEES

Special committees are temporary committees that are established during the year to handle specific events (e.g., Audit Committee, Carnival Committee, Scholarship Committee, etc.) Once the event is complete, the committee should dissolve as soon as a final report is given to the PTO board. If the objectives of the Special Committee are not met at the end of the school year, officers will be required to reappoint members of the committee for the following year until the purpose of the committee has been achieved. Individuals who have a conflict of interest should not serve as members of the special committee. For example, senior parents should not serve on a scholarship committee since their child would be a potential recipient.

- **Audit committee**

At the end of the fiscal year, an audit of the PTO's financial records is required. Individuals who are independent from day-to-day financial activities should perform the audit. Board members may not serve on the Audit Committee. The audit committee shall make a report to the general membership upon completion of the audit. Any issues should be brought to the attention of the president and plans made to remedy the issue going forward. All officers of the organization shall make records available as

requested by members. The final audit packet is due to the District Business Manager by September 1. An Audit Packet example is located on the Finance department's webpage.

The primary objectives of the audit are to:

- Verify the accuracy of the Treasurer's financial reports;
- Verify the documentation of receipts and expenditures;
- Verify internal controls are in place to properly handle PTO funds.

- **Fundraising committee**

Creating fun and profitable fundraisers is a challenging task. Before launching into a fundraiser, ensure the committee has established a comprehensive and realistic budget.

- **Nominating committee**

The purpose of the nominating committee is to recommend various members of the organization for office in the coming school year. Nominations for the following school year should be brought to the general membership so that elections may take place in May or June to allow old and new officers time to exchange documents and ideas. PTO bylaws may define this process.

In accordance with the PTO's bylaws, the election of officers may be done so in a variety of ways (see examples in Roberts Rules of Order). The election of officers should be from a slate of officers presented by the nominating committee in the spring of each school year. If a nominating committee is not formed, recommendations may also be taken from the floor at the time of the vote in accordance with Roberts Rules of Order.

- **Scholarship committee**

PTO's may, but are not obligated to, provide scholarships for eligible students. Qualifications and methods for applications and awards should be defined in the PTO's bylaws to avoid bias. Scholarship checks should be sent to the university registrar and not to the student directly. If a student delays college or declines the scholarship after it has been issued to the university, please define how this situation will be handled in the PTO's bylaws.

Accounting procedures

- PTO's should establish easy-to-use methods for managing the PTO's money. The PTO may utilize Quicken, Excel, or any other spreadsheet program to track expenditures and revenue.
- All transactions should be recorded in the PTO's financial records (checks matched to a request for expenditure and deposit receipts matched to a bank statement).
- The PTO's books and bank accounts should be reconciled monthly.

PTO's may provide financial support to their student group in two ways: Activity Funding and Direct Funding.

ACTIVITY FUNDING:

The PTO writes a check or "donates" money to the school and the school applies the money to the Activity Fund of the student program. The funds then belong to the campus activity fund, to be spent by the Sponsor or Coach with oversight by the campus principal. All accounting and safeguarding of funds is the responsibility of the school, once the school receives the funds. The PTO should receive a Donation Receipt from the campus bookkeeper or secretary for the donation. The District tracks donations from PTO's and reports this data for approval to the Board of Trustees each month. The flow of funds looks like this:



- *The IRS prefers that 501(c)(3) organizations donate money to the activity fund.*
- *The Texas Education Agency prohibits the District from reimbursing PTO's for any expenditure. Money in activity funds cannot be transferred to Boosters PTO's.*

DIRECT FUNDING:

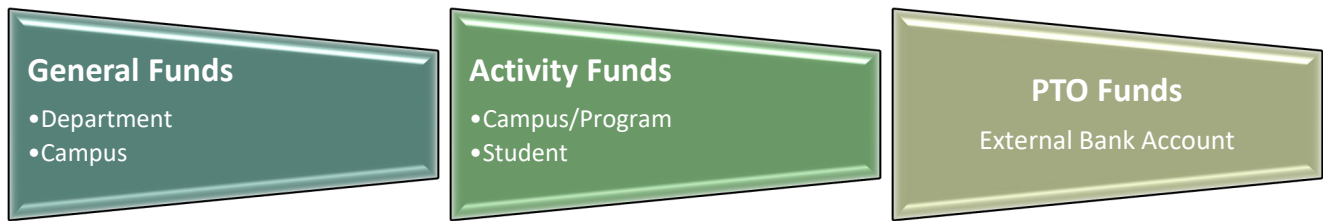
The PTO pays vendors directly for PTO or program expenses. All accounting and safeguarding of funds is the responsibility of the PTO. Unless the PTO donated money to the school, please do not forward bills to the school for the bookkeeper or secretary to process. Ask the vendor to bill the PTO directly. Schools will not be responsible for forwarding mail or processing payments on the PTO's behalf.

The flow of funds looks like this:



THREE SOURCES OF FUNDS

Sponsors and coaches have access to three sources of funds as outlined below.



Department

- Department budgets are allocated by the department director.
- All funds must be spent using a Purchase Order to an approved vendor.
- Money does not roll from year to year. New allocations are given each year.

Campus

- Campus budgets are allocated at the principal's discretion.
- All funds must be spent using a Purchase Order with a contracted vendor.
- Money does not roll from year to year.

461 - Campus Activity Funds

- All class fees collected must be deposited into a 461 account.
- Funds can only be spent with approved vendors.
- Funds must be spent using a Purchase Order or check request.
- The sponsor/coach is responsible for managing this account.
- PTO donations flow through 461 accounts.

865 - Student Activity Funds

- 865 accounts are for student groups that have bylaws and officers.
- Funds must be spent using a Purchase Order.
- The sponsor/coach is responsible for managing this account.

Direct Funding

- Booster PTO's pay vendors directly for program expenses.
- Bills are not processed through the campus.
- The following are examples of expenses that may be directly funded:
 - Non-essential items such as tote bags, yard signs, t-shirts, etc.
 - Instrument purchases
 - Meals
- See additional list on following page.

Activity Funding

- The PTO donates funds to the school for the student group's Activity Fund (Refer to 461 Activity Fund on this page)
- These funds belong to the student group, to be spent by the sponsor or coach
- The following are examples of expenses that may only be funded through an activity account:
 - Transportation and hotels
 - Judges, Consultants, Clinicians, and Choreographers
 - Uniform cleaning and performance wear
- See following page for additional items.

DETERMINING WHICH PAYMENT METHOD TO USE

The UIL establishes a clear set of rules regarding what expenses PTO's may cover; therefore, PTO's should adhere to these guidelines to avoid disqualifying students from UIL Events. The list below provides guidance to Boosters on how best to fund expenditures. The list is not all-inclusive. If you have questions, please contact the District Business Manager or UIL.

Activity Funds or PTO Funds may pay for...

- Non-essential items such as water jugs, hanging bags, tote bags, yard signs.
- Cheer, Color Guard, and Dance performance wear (must be documented and submitted to the Finance Department as a donation, i.e., "\$3,500 of costumes were donated").
- Instrument purchases
- Instrument rental (for non-district owned instruments)
- Services: Examples include Prop Builder or Drill Designer (anyone providing a non-teaching service - If over \$600, individual must be given a 1099 as this is taxable income to the provider)
- Meals. If using activity funds, follow district food allotment guidelines.
- Contest entry fees
- Equipment
- Concert recording (follow copyright laws)
- Purchasing performance tickets for students

Activity funds must pay for...

- Essential items such as uniform cleaning
- Uniforms which will become property of the District.
- Judges, Performance Consultants, Clinicians, Master Class Consultants, Color Guard Instructors, Choreographers, and any other personnel that provide a teaching service or work directly with students
- Instrument rental (for district owned instruments)
- Transportation of students – buses, vans, charters
- Travel - Hotel rooms

ADVERTISING / SPONSORSHIP

The district maintains advertising/sponsorship agreements with several businesses around the community and as such, is contractually obligated to respect those agreements. Prior to the PTO entering into an agreement with an outside party, which would conflict with existing district advertising agreements, please check with our District Business Manager. All signage on district property will need to be approved by the district prior to being hung. Please email proofs to the District Business Manager.

AUDIT OF THE PTO AT YEAR-END

Each PTO is required to select an audit committee and complete an audit of the financial records each year. The audit committee should include members who were not involved in the daily operations of the PTO. Audit committee members should rotate each year. The sponsor should not participate in the audit.

An outside accounting firm or CPA is *not required* to review the financial information or audit results. If an outside party does perform the review, results should be presented in their reporting format. Electronic copies of the Audit Instructions & Checklist and Audit Packet are available on the Finance Department webpage.

The District Business Manager does not “audit” PTO’s unless requested by a District Administrator. While the Business Manager collects audit packets and information contained therein, it should not be assumed that an audit of the books of any PTO has taken place unless the Business Manager explicitly states the PTO is being reviewed at the request of an administrator. If the PTO is audited by the Business Manager, please provide all information when requested. Documents will be returned within 10-14 business days.

The number of persons on the audit committee is determined by PTO size. See the table below for reference.

PTO Size	Number of people on the Audit Committee
< 100 members	2
>100 members	3

It is the responsibility of the PTO Treasurer to provide documents to the audit committee. PTO’s with a year-end of June 30 should have an audit period of July 1 – June 30. Audit Packets are due to the District Business Manager each year on September 1.

Prior year members and officers should handle the annual audit of the PTO since transactions occurred during their term. Prior year members are responsible for signing the audit packet and submitting to the District Business Manager by September 1.

BANK ACCOUNTS

- PTO's must set up a bank account with the PTO's EIN number only. An officer's social security number or the District's EIN number should not be used.
- No district employee can be an authorized signer for the bank account(s) of PTO's.
- The District recommends at least two authorized signatures be required for each check written to establish good internal controls over check disbursements.
- Bank account(s) should be reconciled monthly and within 30 days of receipt of statements.

CARRYOVER BALANCES

While it is generally thought that boosters should spend all money raised in a given year, please remember that the incoming officers for the following year need start-up money. PTO's should allow enough carryover money to provide new officers sufficient funds to begin the year and fund activities until a fundraiser is held. Carryover balances will vary from PTO to PTO and year to year. There is no set amount.

Be sure to inform members if an unusually high amount of excess funds exists when the year is complete. Explain in detail how the funds will be used going forward and provide a long-term budget if possible. If the PTO requires a vote to carry over funds, please include in the PTO's bylaws.

CONCESSION STANDS

- All athletic event concession sales are taxable unless the sales are part of a fundraising event.
- All PTO's must have a W-9 on file with the District. This is an annual requirement of our external auditors. <http://www.irs.gov/pub/irs-pdf/fw9.pdf>

DONATIONS - MONETARY OR NON-MONETARY

PTO's receive monetary and non-monetary donations throughout the year. They have the option to retain the donation or pass the money to the District to be used by the sponsor/coach in their Activity Fund. Please see below for options.

Donors -> PTO -> Bank PTO's may receive monetary or non-monetary contributions from individuals or businesses. PTO's that are tax-exempt should provide a tax-deductible receipt to their donor. PTO's must provide a copy of their 501(c)(3) Determination Letter indicating that the PTO is a 501(c)(3) organization.



deductible receipt to
Letter

If the PTO lost its tax-exempt status by revocation for failure to file taxes or if the PTO never applied for tax-exempt status, then contributions to the organization are not tax deductible to the donor. The PTO must inform the individual or business that their contributions or donations are not tax-deductible. Donations to

the PTO may be acknowledged with a simple thank you in addition to a tax-deductible receipt. If the gift is monetary, the PTO should indicate the dollar amount. If the gift is not monetary, the estimated value should not be included in the receipt as the donor determines the estimated value.

PTO -> Activity Fund

Monetary - PTO's may elect to donate money to their student program's Activity Fund. Please make the check payable to the school or to FUSD and send to the Sponsor noting which Activity Fund the money should be applied to at the school.



The campus bookkeeper or secretary will issue a donation receipt for the contribution. The District is required to list all donations in the monthly board report for approval. The donation receipt should be kept with the PTO's financial records.

Non-monetary - PTO's may elect to donate a vehicle, trailer or other fixed asset. Prior to donating an item, PTO's should work with the program sponsor or coach, to ensure the item being donated is needed and will be accepted by the District. There are times when the District cannot accept non-monetary gifts due to insurance restrictions placed by the state. Once accepted, the District will process a donation receipt and work to transfer title or any other paperwork necessary to transfer ownership to the District.

If the District elects to dispose of the asset after its useful life, under Texas Education Code Section 11.156, ownership of any property donated to the District vests with the Board of Trustees upon acceptance. Accordingly, only the District can sell or otherwise dispose of the property consistent with applicable laws, policies and procedures.

The Education Code further provides that the District may use the property "or the income from the property" for "any purpose designated by the donor that is keeping with the lawful purposes of the schools for the benefit of which the donation was made or for any legal purpose if a specific purpose is not designated by the donor." In sum, the District owns the property and therefore the District must dispose of the property in accordance with established policies and procedures. If the property is sold, the proceeds from the sale may be used either for the purchase of a replacement item(s) or to support the program in general.

Donations – from the PTO to another organization

PTO's are discouraged from donating to another cause because they are awarded tax-exempt status based on the premise that the PTO solely supports a school sponsored program. That said, the IRS provides loose guidance if a student or student's family experiences a tragic event during the year and the PTO would like to support their specific cause. The IRS allows modest donations to another group as long as not a "substantial" amount of money or effort are donated to an outside cause. Please call the Business Manager if you have specific questions.



E-COMMERCE: PAYPAL – SQUARE

As donors and parents wish to use credit and debit cards to donate money to PTO's or to purchase items, many PTO's elect to offer e-commerce services such as PayPal or Square to process electronic transactions.

Such e-commerce is permitted with proper cash handling procedures in place prior to implementing the use of these features. Many vendors offer discounts to 501c3's for the use of their services.

FACILITY RENTALS

PTO's should contact the FISD Facilities Department to arrange to use any school facility. PTO's must provide a proof of their tax-exempt status, proof of payment of general liability insurance, and a roster of contacts prior to signing a rental agreement. Please contact Mari Castellanos in the FISD Facilities Department at 281-996-2582 or email her at mcastellanos@fisdk12.net.

FLYERS

FISD provides organizations the ability to share event information that benefits students and families in one centralized place. In an effort to conserve paper and make more efficient use of staff time, flyers are available online only through [FISD eCommunity](#).

***Paper flyers in student folders (K-5) are allowed ONLY three days a year.
[FISD Permission to Distribute Flyers Form](#) must be completed in advance.***

FUNDRAISING

Before any fundraising activity occurs, PTO's should coordinate with their sponsor and campus principal. The following guidelines should be established.

Guidelines and Policies

- Board Policy GKB (Local) discusses fundraising regulations and should be reviewed annually.
- Students may work two fundraising events. Parents may work as many as they prefer.
- All such activities require approval of the Campus Principal.

IRS Regulations on Fundraising

- The IRS prohibits tax-exempt organizations from requiring people to participate in fundraisers. Likewise, PTO's may not require an amount be "donated" in lieu of participating in the fundraiser.
- People may choose whether to participate in a fundraiser and may choose whether to donate to the PTO. Furthermore, if a person decides not to participate, that person cannot be excluded from having the opportunity to benefit from the fundraiser and cannot be penalized for choosing not to participate in the fundraiser.
- Benefits given by a tax-exempt organization cannot be based on participation in a fundraiser or based on the amount of individual fundraising efforts. Therefore, regardless if a person participates in a fundraiser and regardless of the amount of revenue raised, that person cannot be denied the opportunity to receive an equal benefit.

- The IRS prohibits the use of individual accounts by PTO's. PTO's must benefit the group as a whole, not its individual members.

Accounting for a Fundraiser

- Within a week of the end date of the fundraiser, the fundraising committee should complete an accounting of the fundraiser and supply the report to the Treasurer for final reconciliation.

Analysis of a Fundraiser

- PTO's should analyze and document whether the fundraiser was a success or failure. This type of analysis will help a PTO decide whether to repeat a particular fundraiser.

Electronic Fundraising

- Digital fundraising is easy for PTO's and convenient for donors. However, there are significant drawbacks to this type of fundraising method. Oftentimes, digital fundraising sites take a portion of the proceeds (up to 30%) and charge an additional fee (up to 3%) once it transfers money to the PTO's bank account. While electronic fundraising is permitted, please ask upfront what the fee structure is before agreeing to establish a fundraiser electronically. Many operations are not initially transparent about their fee structure.
- Funds raised from electronic fundraising should never go to an individual's account or flow through an individual to the PTO. Money should be directly transferred to the PTO's bank account.

Tips for an Effective Fundraiser

- Decide how much money the group needs to raise. This will help to evaluate products and programs that will be ideal for the group or community.
- Do not have the same fundraisers because "it's always been done this way". Give some thought to what is most effective.
- Give the group plenty of time to prepare. Establish a calendar early in order to get on the District/campus calendar or in a monthly school newsletter.
- Timing – avoid flooding the community with fundraisers.
- Try to conduct fewer but more effective programs. This will avoid "fundraising fatigue".
- Communicate fundraising goals and deadlines clearly with parents, teachers and other volunteers.
- Keep copies of order forms and ensure all forms are legible and filled out correctly to avoid shipping and ordering problems.

GIFTS

The UIL states that Sponsors may receive up to \$500 per year from PTO's. Gifts may include a check or a tangible gift. Senior students may receive a small memento honoring the accomplishments (not to exceed \$70

in value). Cash or checks are prohibited to students. Students other than seniors are not allowed to receive gifts other than nominal value items (e.g., goodie bags).

INSURANCE

The District requires PTO's to carry a general liability policy that names the District as additional insured. The general liability policy should cover injury and damages. There are additional types of coverage the PTO can obtain such as Directors and Officers Liability, Excess Accident Medical, and Crime-Employee Dishonesty. While these are recommended, they are not required by the District. The PTO may have the need for a Special Events Policy to cover a fundraiser such as a fun run, obstacle course, summer camp (other examples apply – please contact the PTO's insurance provider for assistance).

MEMBERSHIP DUES

PTO's may charge membership dues as defined in their bylaws. Parents do not have to be members of the PTO for their child(ren) to participate in the student group that receives benefit from a PTO. Membership dues are associated with the parents being part of PTO and are in no way associated with program expenses (i.e., trip expense, uniform expense). Membership dues may not offset expenses related to the program. Sponsors should never collect membership dues. Additionally, a person who volunteers for the PTO should not have to pay membership dues in order to volunteer.

MONEY HANDLING GUIDELINES

"Money" refers to cash, checks, money orders, or cashier's checks. Please use a spreadsheet or accounting software to track income and expenses. The following suggestions encourage proper accountability.

Receiving and Depositing Money

- Receipts should be given to those who pay for membership dues or any other payment to the PTO.
 - Receipts should notate the purposed of the payment,
 - Indicate whether cash, check, money order, or cashier's check was received,
 - Date of the receipt,
 - Signature of person receiving the money.
- Any checks received should be endorsed and deposited immediately.
- Post-dated checks should not be accepted from any source.
- If a money order or cashier's check is received, please document the number and issuing bank.
- Money received should only be deposited in the PTO's account or Activity Fund of the school. Depositing PTO funds into personal bank accounts is strictly prohibited.
- Deposit slips should be retained and reconciled monthly to the bank account statement.

Disbursing Money

- PTO's may elect to have two signatures on each check. This is not required but best practice.

- Blank checks should never be issued and checks should never be pre-signed without an amount or payee listed.
- PTO's may not reimburse members for sales tax. If a parent does not use the Texas Resale Certificate, they can request reimbursement from the State Comptroller's Office for the error.

Safeguarding Money

- Do not keep money or unused checks in an unlocked drawer, unlocked filing cabinet, vehicle, or other unsecure place. **The District will not reimburse stolen funds.**
- Money received and not yet deposited should not be used for personal purchases, check cashing, loans, advances, reimbursements, or for any other purpose.
- The sequence of check numbers should be accounted for when reconciling the bank statement.
- Issuing checks payable to "Cash" should be avoided. If a check must be payable to "Cash" keep detailed documentation of the use of funds.

Credit Cards

- PTO's are prohibited from using Credit Cards.

RAFFLES

Raffles in Texas are governed by the Texas Attorney General. A raffle is defined as the award of one or more prizes by chance at a single occasion between a pool of persons who have purchased a ticket that represents a chance to win a prize. The PTO does not need to register with the AG's office in order to host a raffle or silent auction but rules must be followed as detailed below. Contact the Texas Attorney General's Office with questions: 1-800-621-0508.

Who may host a raffle?

Only qualified organizations can host raffles. In general, a qualified organization is:

- An association organized primarily for religious purposes that has been in existence in Texas for at least 10 years;
- A volunteer emergency medical service that does not pay its members other than nominal compensation,
- A volunteer fire department that operates firefighting equipment and does not pay its members other than nominal compensations, or
- A nonprofit organization that has existed for at least 3 preceding years, during which it has had a governing body duly elected by its members and is exempt from federal income tax under Section 501(c), Internal Revenue Code; does not distribute any of its income to its members, officers or governing body; does not devote a substantial part of its activities to attempting to influence legislation; and does not participate in any political campaign.

What prizes may be offered?

An organization may offer any prize except money. “Money” includes coins, paper currency, or a negotiable instrument (e.g., Certificate of Deposit) that represents and is readily convertible to currency. A savings bond, *or store-value gift card are allowed as a prize. There is no monetary limit on prizes donated to the organization.* Texas lottery tickets may be purchased and offered as prizes.

What are the restrictions on how the raffle may be conducted?

- A qualified organization may hold only two raffles per calendar year and only one raffle at a time.
- Paid advertising through mass communication is prohibited. Donated advertising is permissible.
- Raffle tickets must state the name of the organization holding the raffle, the price of the ticket, date prize is to be awarded and a description of each prize to be awarded that has a value of over \$10.
- A prize may not be money which includes coins, paper currency, or a negotiable instrument (e.g. Certificate of Deposit)
- Only members of the organization, or student organizations recognized by institutions of higher education selling on behalf of the institution, may sell tickets.
- No one may be compensated directly or indirectly for organizing or conducting a raffle, or for selling raffle tickets.

Are there any penalties for conducting or participating in an unauthorized raffle?

Yes. An unauthorized raffle is considered gambling under the Texas Penal Code. Conducting such a raffle is a Class A misdemeanor. Participating in an unauthorized raffle is a Class C misdemeanor.

Can we hold a Bingo as a form of a Raffle?

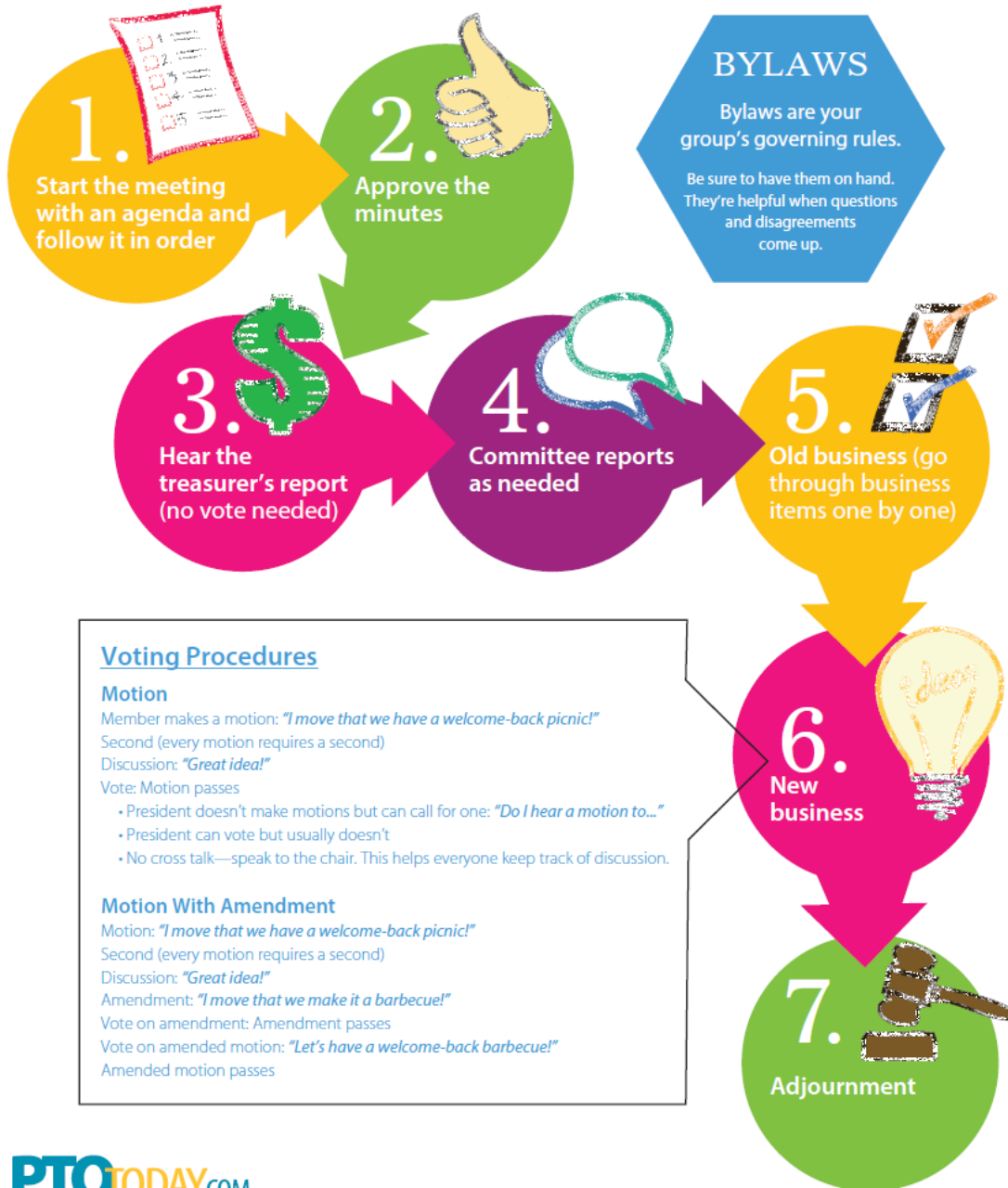
No. Per District guidelines, FISD PTO’s are not allowed to raise funds through Bingo.

ROBERTS RULES OF ORDER

PTO's should operate meetings, elections and all PTO business via Roberts Rules of Order. Many online resources are available to address particular circumstances. A simple guide is provided below.

Robert's RULES 101

Steps to keep meetings on track.



SCHOLARSHIPS

Scholarships must be awarded based on a student's need or merit (e.g., essay contest, GPA, etc.). PTO's may wish to outline the standard process for scholarship application and distribution in their bylaws. The members of the committee selecting the scholarship recipients should not be related to any of the potential recipients. Funds should be sent directly to the student's University Registrar made payable to the University with the student's name in the memo. PTO's must ensure all UIL eligibility requirements have concluded. PTO's should define in their bylaws what happens if a student declines to attend a University and receives a scholarship. Please outline whether the money is forfeited or held for a period of time until the student decides on a post-secondary school.

STUDENT FEES AND FINES LIST

PTO's may find themselves in a situation where students or parents do not submit money for fundraisers or expenses, resulting in amounts owed to the PTO. Since these amounts relate to PTO activities, the amount owed cannot be levied on the student's fees and fines account with the school. If a PTO wishes to pursue recovery of these amounts, they must do so independently from the District and the school.

STUDENT PRIVACY – ALL MEDIA TYPES

Before posting anything in printed material, or in any media context, ensure that the parent or legal guardian of the student completes a photo or video release form. While such material may be used to promote the PTO or solicit donations, the PTO must respect the privacy of all students, parents or guardians and obtain their approval before distributing their photo or name. The PTO may create its own form but may not "piggyback" off the District Media Release. As with the District's social media guidelines, respect for students, parents and our community members is expected. All aspects of social media etiquette are required of all PTO's at all times and subject to scrutiny if District Administrators are notified of violations.

VOLUNTEER APPLICATION

ALL FISD volunteers are required to create a Volunteer Profile in order to volunteer. Volunteers may be subject to a criminal history check, depending on the activity they wish to volunteer for. Please see our website for more details. For more information on criminal background checks, the process or what is checked in the search, please contact the Human Resources department at 281-482-1267.

VOLUNTEER GUIDELINES FOR WORKING WITH STUDENTS

Meeting with Students

- All meetings and/or activities with students must take place on the school campus, or as part of a school-sponsored field trip.
- All activities with a student(s) must take place in a room with an open door or on the school grounds in sight of school staff representatives.
- Off campus contact is prohibited unless under the direct supervision of school officials.
- Never give a student your phone number, address, or email address.

Transportation

- Transporting a student in your personal car is allowed if an Alternate Travel Permission Slip is completed and approved in advance to the travel.

Physical Contact

- Remember that what you see as simple, friendly praise or encouragement may be viewed as something entirely different and reported as such.

Confidentiality

All student information is confidential and sharing that information with others is a violation of the law. While a student may freely share confidential information with you, if you are privy to alarming or harmful content, such as: he or she is the victim of sexual, emotional, or physical abuse, is considering homicide or suicide, or is involved in any illegal activity, you are obligated to tell the campus principal or a district administrator immediately, within 24 hours.

- Do not share confidential information with anyone except the appropriate authorities.
- If you have questions, please contact the campus administrator.

See Something, Say Something

In FISD, the safety of our schools is paramount. We know that students and parents are our first line of defense for reporting unusual activity or safety concerns. This anonymous reporting system will immediately alert administration when sent. If you believe this is an emergency call 911. Thank you for helping to keep our schools and community safe!



State of Texas Comptroller's Office

Starting out with the Texas State Comptroller's Office



After establishing the PTO as tax-exempt with the IRS, PTO's must take the additional step of requesting exemption from the State of Texas Comptroller's Office via [Form AP-204](#) (Application for Exemption). There is no fee associated with this form. The exemption is necessary to waive Franchise Tax obligations and to be able to purchase qualifying items tax-free. The exemption process is **separate and in addition to applying for federal tax-exemption** from the IRS. The PTO must apply for exemption with the IRS first, then proceed to the state exemption process. If for any reason the IRS revokes the PTO's exempt status, the Comptroller's Office will soon follow suit and revoke the PTO's state exemption.

REINSTATING A FORFEITED TAXPAYER ID

The PTO may request to reinstate its Texas Taxpayer ID if it loses its federal exemption. This is very different from the IRS, where the PTO must apply for a new EIN. In order to reinstate, the PTO must first file and pay past due tax and any late fees or penalties. Secondly, the PTO must file [Form 05-391](#) which is a formal request to reinstate its sales tax number. Finally, the PTO must complete [Form AP-204](#) to request exemption from franchise tax (please remember to use the old number). All forms can be sent to the Comptroller's Office.

SALES TAX PERMIT

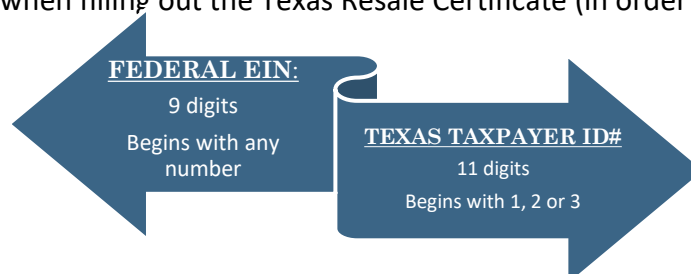
PTO's that intend to sell taxable items or host more than two taxable fundraisers per year should apply for a Texas Sales Tax Permit. PTO's may obtain a Texas Sales Tax Permit by submitting an online application via the Texas State Comptroller's Office website <http://comptroller.texas.gov/taxes/permit/>. EIN from the IRS.

Sales Tax Reporting

By applying for a sales tax permit, the PTO opens an obligation to file quarterly or annual sales tax returns. The frequency of filing is established by the Comptroller's Office but usually starts with quarterly for the first year. Taxes are always due 20 days after each quarter end (i.e., due on April 20, July 20, October 20 and January 20). It is important to note that even if the PTO had no sales or no taxable sales during a quarter, a sales tax report **must** be filed or it will incur a \$50.00 fee.

TEXAS TAXPAYER ID#

Once the Sales Tax Permit or letter from the State (if the PTO sent in Form AP-204) is received, the PTO will be issued a Texas Taxpayer ID. The Texas Taxpayer ID is 11 digits and begins with a 1, 2, or 3. Please note this number is different from an EIN, which has 9 digits. Please use the Texas Taxpayer ID when filing sales or franchise tax forms and when filling out the Texas Resale Certificate (in order to waive sales tax on purchases).



TEXAS SALES TAX PURCHASING EXEMPTION

The exemption from the Texas limited sales tax allows the exempt PTO to make tax-free purchases of eligible items intended for resale. The PTO must present the vendor with a [Texas Resale Certificate \(Form 1-339\)](#) in order to purchase the items tax-free. The certificate must state the PTO's Sales Tax Permit Number or EIN to be valid. Vendors accept the form "In Good Faith" but are not required, by law, to honor.

TAX-FREE DAYS

PTO's are entitled to two "tax-free" days per calendar year. This means the State of Texas will not assess tax on the two highest grossing fundraisers where taxable items or services are sold. This is extra incentive to keep good records throughout the year! A fundraiser qualifies for the "one-day, tax-free" sale if all items are to be delivered on one day. Each "one-day" sale may not exceed 24 consecutive hours. Exemption status is required for entitlement to the two "tax-free" days per year. The PTO does not need to designate the tax-free days ahead of time, but should have an idea of the two highest earning events. PTO's that host two or fewer fundraisers, will use both days as tax-free (if the items would otherwise be taxable). More information can be found on the Comptroller's Website at: http://comptroller.texas.gov/taxinfo/taxpubs/tx94_183.pdf

TAXABLE VS. NON-TAXABLE LIST

The following lists of items or services have been identified as being taxable or non-taxable by the Comptrollers' Office. The list is not all-inclusive, but may help make determinations on other similar sales.

NON-TAXABLE

Advertising sales - in yearbooks, athletic programs, newspapers, posters	Discount/Entertainment cards and books
Admission – athletic events, carnivals, dances, dance performances, drama and musical performances	Facility rentals for school groups
Admission – summer camps, clinics, workshops	Food items sold during fundraisers, including at a PTA carnival
Admission - banquet fees, prom, homecoming	Labor - automotive, upholstery classes (parts are taxable)
Admission - tournament and academic competition fees	Magazine subscriptions greater than six months
Car washes	Parking permits
Cosmetology services (products are taxable)	Student PTO Memberships

TAXABLE

A detailed list of taxable goods and services are listed in [Publication 96-259](#) on the Texas Comptroller's website.

Agenda books	Family and Consumer Science - supplies and sewing kits	Repairs to tangible personal property (i.e., computer repair, house remodeling)
Art - supplies and works of art	Fees - copies, printing, laminating	Rings and other school jewelry
Artistic works of music and video (CD/DVD)	Flowers - roses, carnations, arrangements	Rummage and garage sales
Athletic - equipment and uniforms	Greeting Cards	Safety supplies
Auction items sold	Hand crafted items	School publications – athletic programs, posters
Automotive - parts and supplies	Horticulture items (plants, holiday greenery)	School publications – brochures
Band - equipment, supplies, patches, badges, uniforms	Hygiene supplies	School publications – newsletters, newspapers
Book covers	Identification cards – when sold to entire student body	School publications – reading books
Books - when FSD is the seller	Lumber	School publications - sheet music, hymnals
Calculators	Magazines – subscriptions less than six months	School publications - yearbooks
Calendars	Musical supplies – recorders, reeds	School store - all items (except food)
Candles	Parts - career & technology classes	Science - science kits, boards, supplies
Car - painting, pin striping	Parts – upholstery	Spirit items
Clothing - school, PTO, class	PE - uniforms, supplies	Stadium seats
Computer - supplies, mouse pads	Pennants	Stationery, note pads, etc. - Produced in the classroom
Cosmetology products sold to customers	Pictures - school, group (if school is the seller)	Supplies - any sold to students
Cups - glass, plastic, paper	Printing fee – computer	Uniforms - any type to include PE, dance team, drill team, cheerleaders, athletic, PTO shirts
Decals	Rentals - equipment of any kind	Vending - non-edible supplies when the school services the machine
Directories - student, faculty	Rentals – towels	Woodworking crafts - entire sale to include parts and labor
Drafting – supplies	Rentals - uniforms of any kind	Yard signs

BANQUETS

Admission to an annual banquet is not taxable. If the PTO pays for the event, they must present their tax-free form to the venue and pay the venue directly. The annual banquet exemption does not apply to the sale of alcoholic beverages or non-food items. Banquets cannot be held in a church as this is a local District policy.

FOOD AND BEVERAGE SALES AT SCHOOL

PTO's do not collect tax on the sale of meals and food products (including candy and soft drinks) if the sales are made during the regular school day or during a school event (concessions). The sale of any food or drink during the school day is only permitted at the high school and only outside of where meals are served and consumed (i.e., outside of the cafeteria). The sale of outside food in the cafeteria is against meal rules established by the Texas Department of Agriculture and could place the District's Free and Reduced Lunch Program in jeopardy if guidelines are not met. At the Junior High, sales may take place only after the last bell of the day has rung.

Sales tax is not due on food items such as cookie dough, pizza kits, cheese spreads, meat sticks, jelly, salsa, fresh fruit and mixes packaged for at-home preparation. Bakery products (including but not limited to pies, cakes, cookies, bagels and muffins) are non-taxable unless sold with plates or eating utensils.

GIFT CERTIFICATES AND COUPON BOOKS

Sales of intangibles such as gift certificates and coupon books are not subject to sales tax. Retailers collect tax when the certificate or coupon is redeemed for the purchase of taxable merchandise or services.

INTERNET SALES

Sales of taxable items over the Internet are treated the same as sales of taxable items made at any other sales location. PTO websites must collect sales tax on taxable items they sell online and remit to the state.

The Comptroller's Office is very helpful and wait times are usually very short (1-2 minutes). Please call the Texas Comptroller of Public Accounts at 1-800-252-5555 with specific tax questions or visit the Comptroller's website at <http://window.state.tx.us/taxes/>

State tax reporting requirements

PTO's that have a Sales Tax Permit or have not applied for exemption and are responsible for filing Franchise Tax must do so each quarter or each year, depending on how the PTO is established. The frequency of filing Sales Tax is determined by the Texas State Comptroller's Office and is initially set at quarterly filings. After the first year as a PTO, the PTO may call the Texas Comptroller's Office and request to change from quarterly filing to annual filing. Requests are processed in the fall only. Please continue to file quarterly taxes until notified by the state that the frequency has been changed. Franchise Tax is due each year on May 15. Failure to file any tax is subject to a \$50.00 late fee for each missed filing (for quarterly filing that would be \$200 each year [4 quarters x \$50]).

WEBFILE –FILING

All Texas state taxes are filed online through [WebFile](http://window.state.tx.us/webfile/). WebFile is a free service. Upon application of a sales tax permit or tax-exempt certificate from the state, the PTO will receive a WebFile ID from the Comptroller's Office. The WebFile ID begins with "XT" for Franchise Tax or "RT" for Sales Tax and is the login to file and remit sales or franchise tax via the state's online portal: <http://window.state.tx.us/webfile/>. Call the Texas Comptroller's Office to request a WebFile ID: (800-442-3453). The State will provide the WebFile ID in many of their correspondence as shown in the examples below.

RT542525

01-114
Form 0000 (Rev. 2-08/36)

AAAA

b.

a. 26100

SEE INSTRUCTIONS FORM 01-922

Do not staple or paper clip. Do not write in shaded areas. Page 1 of 3

TEXAS SALES AND USE TAX RETURN

c. Taxpayer number 1-80-0654285-8

d. Filing period YEAR END 12-31-2012

e. 12

f. Due date 01-22-2013

IMPORTANT

Taxpayer name and mailing address (Make corrections next to any incorrect information.)

9

Friendswood Choir PTO
1234 Main Street
Friendswood, TX 77546

30

MAKE COPIES FOR YOUR RECORDS

- Blacken this box if your mailing address has changed. Show changes by the preprinted information. - - - 1
- Blacken this box if you are no longer in business. Write in the date you went

261001800654285812550008 00001

i. NO SALES TAX FOR THIS PERIOD

j. Are you taking credit to reduce taxes due on this return for taxes you paid in error on your own purchases? (Blacken appropriate box) YES NO
1 2

Example 1: WebFile ID found in the upper left hand corner of pre-printed Sales Tax Form reminder.

TEXAS COMPTROLLER OF PUBLIC ACCOUNTS

Comptroller.Texas.Gov

CCI BOYS ATHLETIC BOOSTER CLUB
2425 E MAIN ST

Friendswood Choir PTO
1234 Main Street
Friendswood, TX 77546

Taxpayer number 32053220557

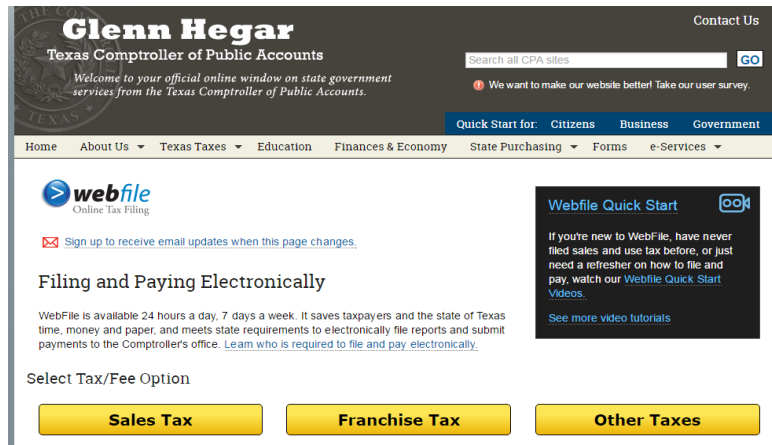
File number 0068610180

WebFile number XT026995

Report year 2014 Due date 05/15/2014

WEBFILE – BASICS

The PTO's Texas Taxpayer ID# (11 digits) and WebFile ID that begins with XT or RT are required to file taxes through WebFile.



Please select sales tax as the first option and login as a [returning user](#), or [create a new profile](#) as a new user. After completing the sales tax section, please verify nothing due in the franchise tax section. Call the Comptroller's Office at 1-800-252-5555 with any questions; they are extremely helpful.

WebFile accepts credit cards and electronic fund transfer (i.e., using the PTO's bank account number) as methods of payment for taxes due. If the PTO prefers to pay by check, the PTO can file online without paying, but must go back to the main menu and print a hard copy of the return and mail to Austin with the check. Processing takes 2-3 weeks.

FAILURE TO FILE STATE TAXES AND PENALTIES

The Comptroller's Office typically mails a reminder to file taxes. However, after failure to file a required tax report, the Comptroller's office will send an estimate of taxes due (minimum bill of \$1,000). Since the initial correspondence from the state is an estimate, the actual taxes due may be lower once the PTO's actual data is entered into the system. Failure to file and pay taxes may result in collection actions.

STATE TAX DUE DATES

Quarterly taxes are due 20 days after the quarter end: April 20, July 20, October 20 and January 20. Annual taxpayers must submit taxes by January 20. Late filings will be assessed \$50.00 each date due (i.e., for quarterly sales tax could be \$200 per year (4 quarters x \$50)). The state will also assess interest of less than \$2.00 per quarter.

FRANCHISE TAX

Franchise tax is levied on taxable entities that do not qualify for exemption, so technically Booster Cubs should not have this obligation. However, the state does not know the PTO is exempt until the PTO applies for state exemption. The PTO is responsible for filing franchise tax until it gains tax-exempt status with the state even if no franchise tax is due. This is called a “No Tax Due Report” or [Form 05-141](#). A “No Tax Due Report” can be filed online via WebFile or a paper copy can be submitted.

REPORTING CHANGE OF ADDRESS TO THE COMPTROLLER’S OFFICE

Immediately notify the Texas State Comptroller’s Office if the PTO address changes. Failure to do so may result in important correspondence being lost. To change the PTO’s address online, go to:

<https://comptroller.texas.gov/web-forms/manage-account/change-address/>

HOUSTON FIELD OFFICES – COMPTROLLER’S OFFICE

Two Houston Field Offices are open five days a week, 8-5 to collect delinquent taxes, assist with filing current or late returns, assist with sales permit applications, and other taxpayer services. The services available at these offices are handled on a walk-in basis. Offices are closed on federal holidays.

Houston Northwest

1919 North Loop West, Suite 510
Houston, Texas 77008-1354 ([map](#))
713-426-8200

Houston Southwest

7011 Harwin Drive, Suite 186
Houston, Texas 77036-2151 ([map](#))
713-783-1665



Internal Revenue Service (IRS)

Internal Revenue Service

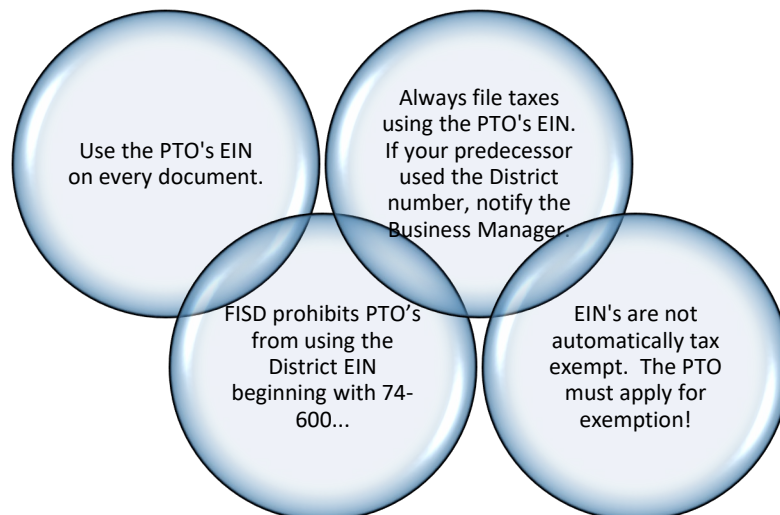


All tax-exempt PTO's in FISD operate under IRS Code 501(c)3. This type of exemption means that the majority of an organization's income is from the public and all donations, subject to certain individual restrictions, are deductible on the donor's tax return. In addition, 501(c)(3) organizations are eligible for state tax exemption benefits and reduced postal rates.

Tax filing requirements for 501(c)3's vary due to the gross receipts of the PTO, so what may apply to one PTO may not apply to another. Larger PTO's with gross receipts (revenues before expenditures) of greater than \$50,000 are required to obtain competent independent accounting or tax assistance (does not have to be a CPA) in filing their annual federal return (Form 990-EZ or Form 990). PTO's of this size are required to file paper forms versus the online, e-postcard (i.e., 990-N). PTO's with gross receipts of less than \$50,000 are not required to obtain independent tax help. The cost of all outside tax services is borne by the PTO.

EIN (EMPLOYER IDENTIFICATION NUMBER)

All PTO's in FISD must have their own EIN. An EIN is a 9-digit number issued to businesses and other organizations, which is similar to an individual's social security number. Apply for an EIN online at no cost via www.irs.gov. The IRS requires the name and social security number of a Responsible Party of the PTO. There are no personal liabilities by adding your SSN, nor is your SSN public information. It is simply a way for the IRS to contact the responsible party if they have questions. Do not use Friendswood ISD's name or EIN number in this field. Here are some helpful tips on EIN's:



APPLYING FOR 501(C)(3), FEDERAL TAX-EXEMPT STATUS

PTO's in FISD must obtain their 501(c)(3) status. Once approved for exemption, all PTO's are responsible for filing taxes with the IRS. The Finance Department does not file taxes on the PTO's behalf.

501(C)3 RESTRICTIONS & REQUIREMENTS

The following are financial restrictions placed on tax-exempt organizations by the IRS:

- ***Tax-exempt organizations must benefit a group as a whole instead of benefiting individual members.*** All members of the student group should receive the same financial benefits. One student cannot receive a greater benefit than another unless the criteria for financial need is met. The IRS indicates that a group or PTO may establish criteria to determine if a person is in financial need. If the criteria are met, the PTO may provide the necessary funds to allow the individual to participate, thus providing individual benefit due to special circumstances. The criteria should be established in the PTO's by-laws and remain consistent from year to year. The purpose of a tax-exempt organization is to benefit an entity as a whole instead of benefiting individuals. Therefore, the use of individual accounts could result in the loss of existing tax-exempt status. In addition, individual benefits may result in taxable personal income for the student.
- ***Tax-exempt organizations cannot require a person to participate in fundraising activities.*** The IRS prohibits tax-exempt organizations from requiring people to participate in fundraisers. As a result, PTO's or sponsors/coaches cannot exclude parents or students from activities because they did not participate in a fundraiser. Likewise, PTO's cannot require an amount to be "donated" in lieu of participating in a fundraiser.
- ***Tax-exempt organizations cannot require fundraising metrics.*** PTO's or sponsors/coaches cannot require PTO members or students to sell a predetermined or minimum amount of goods or services as part of a fundraiser. Furthermore, if a person decides not to participate in a fundraiser, that person cannot be excluded from having the opportunity to benefit from the fundraiser and cannot be penalized in any way for choosing not to participate in the fundraiser.



Bottom line: Regardless if a person participates in a fundraiser and regardless of the amount of revenue raised, that person cannot be denied the opportunity to receive an equal benefit from the PTO. See example below.

High School Choir going to NY for Choir Festival. Cost of the trip is \$20,000 for 20 students (i.e., \$1,000 per student).

Students host car wash to offset trip costs. Only 10 students work and raise \$600.

Instead of the 10 students keeping the \$600 towards their trip, they must equally divide the proceeds among 20 students.


Therefore, each student receives \$30 ($\$600/20$) and each person's cost of the trip is now \$970.

FEDERAL TAX FILING REQUIREMENTS

PTO's are solely responsible for ensuring federal tax returns are submitted annually and on time. Failure to file taxes for three consecutive years will result in the automatic revocation of the PTO's tax-exempt status. The process to reinstate after being revoked is time consuming because the PTO must be properly shut down before starting over.

Federal taxes are due 15 days after the 5th month of the PTO's year-end. The table below outlines common PTO fiscal year-end and due dates.

PTO fiscal year-end	Federal Tax Filing Deadline (990, 990-EZ or e-Postcard)
May 31	October 15
June 30	November 15
July 31	December 15
December 31	May 15



DETERMINING WHICH FEDERAL TAX FORM TO FILE

Forms used to file federal taxes are based on the PTO's gross receipts. Form 990-N is an online form available **only** to those PTO's in good standing and have gross receipts of less than \$50,000. PTO's with receipts of greater than \$50,000, are required to file a paper return (Form 990 or 990-EZ). Please consult with the PTO's tax Business Manager for specific details on Forms 990 and 990-EZ as they are more extensive than 990-N.

Gross receipt threshold	Form to Use	Web-link to Instructions
Less than \$50,000	990-N (e-Postcard)	https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard
\$50,000 - \$200,000	990EZ	www.irs.gov/pub/irs-pdf/i990ez.pdf
Greater than \$200,000	990	www.irs.gov/pub/irs-pdf/i990.pdf

E-POSTCARD (FORM 990-N)

The e-Postcard is available to PTO's with gross receipts of less than \$50,000 and in good standing with the IRS. In 2016, the IRS no longer uses a third party to process e-postcards. The new e-postcard link on www.irs.gov. Simply type in "990-N" and you will be directed to the site.

The PTO must re-register with the IRS to file an e-postcard (even if it registered before 1-1-16). Filing the e-postcard is free. Do not use a website that charges a fee to file. The e-Postcard website utilizes a

login/password combination to protect the PTO's account. The first user will receive a login that is the PTO's 9 digit EIN plus "01" (for example 12-345678901). The second user (if desired) will receive a login of EIN + "02" (e.g., 12-345678902) and so on. Login information may be shared with future officers of the PTO, but it is recommended to change the account password each year upon the election of new officers.

If the e-Postcard is not accepted or you are not able to login, there is a reason. Please call the IRS Exempt Organization's Department/Tax Law Specialists to determine the cause (1-877-829-5500). Common reasons for rejected e-Postcards or not being able to file include:

- Revoked PTO's may not file an e-Postcard (i.e., the PTO lost its exemption for failure to file taxes for three consecutive years).
- PTO's that are not tax-exempt may not file an e-Postcard (i.e., application for exemption was never processed).
- PTO's with gross receipts of greater than \$50,000 may not file an e-Postcard.

The error must be remedied prior to filing again. When the e-Postcard is received and accepted, an email confirmation will be sent to the email account that is on file with the IRS. Please retain a copy of the return along with the acceptance email for the end of year audit packet.



- *Under no circumstance should taxes be filed using FISD's EIN (74-600XXXX).*
 - *Use the PTO's EIN and name.*
 - *If the return reads "Friendswood ISD" please add the PTO's name to the DBA line of the e-postcard.*
-

FORM 990-EZ OR 990 (PAPER RETURNS)

PTO's with gross receipts of greater than \$50,000 are required to enlist the help of a tax specialist with the preparation of their Form 990 or 990-EZ at the PTO's expense. PTO's who recently reached the \$50,000 gross receipt mark, but were below \$50,000 in the prior years, are subject to an averaging rule and may qualify to file the electronic e-Postcard (990-N) for an additional year. When filing the 990-N, if the PTO passes the Gross Receipts Test, select "Receipts are **normally** below \$50,000". The operative word is "normally".

\$50,000 Gross Receipts Test: To determine whether an organization's gross receipts are normally \$50,000 or less, apply the following test. If the PTO meets any one of the criteria, it may file an e-Postcard (990-N).

1. Up to a year old and has received \$75,000 or less during its first tax year;
2. Between 1 and 3 years old and averaged \$60,000 or less in gross receipts during each of its first two tax years; or
3. Greater than 3 years old and averaged \$50,000 or less in gross receipts for the immediately preceding 3 tax years (including the year for which the return would be filed).

If the answer is “yes” to any of the exception tests above, the PTO is permitted to file the 990-N (e-Postcard). If the PTO attempts to file a Form 990-N and does not qualify, the return will be immediately rejected.

FORM 8822-B – REPORTING CHANGE OF ADDRESS TO THE IRS

[Form 8822-b](#) is the formal means of reporting changes to the PTO’s address or “responsible party”. To avoid frequent mailing address changes, the IRS recommends PTO’s obtain their own PO Box. If the PTO has mail sent to a designated PO Box, the PTO may only need to change the information of the responsible party. Please ensure the PO Box keys are handed off to new officers at the beginning of their term.

The PTO may also change the name of the “Responsible Party” in Form 8822-b. Please note the IRS requires the social security number of the responsible party. By giving the SSN, they are not financially tied to the PTO nor is the SSN public information. It is simply a personal connection to the PTO in case they need to contact an affiliated party. If the PTO does not change officers or addresses from year to year, it is not required to complete this one-page form.



PTO's should refrain from using the school address in any correspondence. Campuses receive a large volume of mail and may not be able to forward tax letters or important correspondence to the PTO in a timely manner.

REINSTATING A PTO AFTER REVOCATION

IRS - Federal Requirement:

- A PTO that has been revoked is not allowed to use its old EIN unless it wishes to pay the \$400 application fee. If it wishes to start over, the PTO must first shut down the old PTO by calling the IRS and notifying them it has closed down (IRS phone # 1-877-829-5500). The IRS will also remove the PTO’s name from the database of revoked organizations.

Process for Reinstatement

- Submit application online at www.pay.gov. Form 1023-EZ.
- Must have all officers' name and contact information available.
- Must have copy of bylaws; signed and dated.
- Once submitted electronically, send a copy of the PTO's bylaws to the IRS.
- The PTO will receive a Determination Letter from the IRS in approximately 2-3 weeks.
- The IRS honors the date of application as the date it may begin operating as a tax-exempt organization.

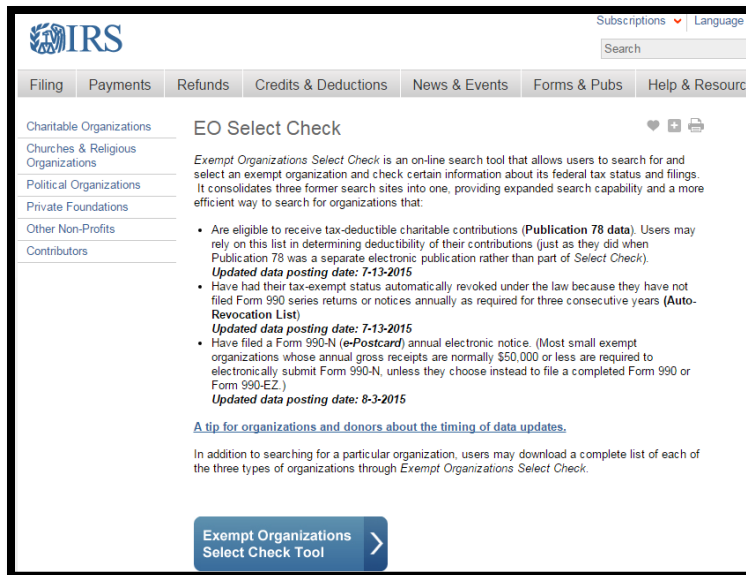
- After applying for exemption with the IRS, reapply for exemption with the Texas Comptroller's Office.

Texas Comptroller's Office Requirement:

1. If the PTO will host more than two fundraisers per year, it needs to apply for a [sales tax permit online](#) (if it does not already have one).
 - If it already has a sales tax permit, it **does not need** to reapply for a new sales tax permit just because the federal tax EIN was revoked.
2. File form AP-204 to request tax-exempt status from the state of Texas. The IRS will not notify the state that the PTO is tax-exempt! The PTO must apply on its own. Link to Form AP-204: <http://www.window.state.tx.us/taxinfo/taxforms/ap-204.pdf>
2. Please keep a copy for the PTO's records.
3. The state processes requests within 3-4 weeks. A letter from the state advising of the new status will be sent to the PTO.
4. As a tax-exempt entity with the State of Texas, the PTO should not be liable for Franchise Tax going forward.

CHECK THE PTO'S STATUS ONLINE

Boosters may wish to confirm their tax filing or see if it has been revoked via EO Select Check portal found on www.irs.gov. Caution is warranted, as the IRS does not update their online database frequently, and only reports those who file e-Postcards (i.e., organizations with <\$50,000). Therefore, if the PTO files a paper return (990 or 990-EZ), it will not be listed online. An officer must call the IRS to confirm. See the screen shots below.



RECORD RETENTION

The secretary and treasurer of the organization shall turn records over to the incoming officers within 30 days of elections. Records should be kept for a period of five (5) years for audit purposes. PTO's should establish a system that passes along prior year's files and records to the new officers each year.

Records to keep:

- *Day-to-day records*
 - Financial Reports and Committee Reports
 - All financial backup including checkbook and bank records
 - Information related to donations received from individuals or businesses
 - Scholarship information and recipients
- *State of Texas Comptroller Office Records*
 - Sales Tax Forms Filed (Quarterly or Annually)
 - Copy of correspondence with the Texas State Comptroller's Office
- *Federal Records*
 - Copy of IRS Forms 990, 990-EZ or 990-N (e-Postcard) filed each year
 - Copy of correspondence with the IRS

PUBLIC RECORD REQUESTS:

Per the IRS “In general, exempt organizations must make available for public inspection certain annual returns and applications for exemption, and must provide copies of such returns and applications to individuals who request them. Copies must be provided immediately in the case of in-person requests, and within 30 days in the case of written requests.”

CONTACT THE IRS

If you have additional questions, you may call the IRS Exempt Organization’s Unit at 1-877-829-5500 (toll-free). The IRS call centers are very busy. It is common for hold times to be greater than 30 minutes. If you have time, please search online at the IRS resource center before calling: <https://www.irs.gov/charities-non-profits/contact-irs-exempt-organizations>



Frequently Asked Questions

BACKGROUND CHECKS

1. Who is required to have a background check on file with the District?

- *PTO and PTO officers*
- *PTO and PTO committee chairs who handle money*
- *Volunteers & chaperones for all campuses*

2. What is the difference between volunteers/chaperones and visitors?

Volunteers/chaperones are defined as having direct contact with students. Lunch visitors, party visitors, or other campus-wide events (Rocket Readers, Mother's Day Makeovers, Mystery Reader) are considered visitors not volunteers and do not have to go through the process. FISD is not requiring volunteers who participate in a PTO sponsored event such as a school carnival or social event to complete a background check.

BANQUETS

1. Can the PTO give gift cards to graduating seniors at the end of season banquet?

No. Gift cards are prohibited. Seniors are allowed a small gift (\$70.00 value) and defined in the UIL constitution under subchapter O, section 480 www.uil texas.org

2. Can the PTO give gifts to the coaches?

Yes. \$500 per year. UIL gift rules for coaches are completely than those for students.

3. Should coaches/sponsors handle money for the sale of banquet tickets?

No. The banquet committee or treasurer should coordinate and handle all banquet funds.

4. Do we need to collect taxes on the sale of banquet tickets?

No. Banquets are not taxable events.

BINGO

1. Can the PTO hold or participate in a Bingo?

PTO's are not allowed to hold or participate in a bingo as a form of fundraising. PTO's may not advertise on behalf of a Bingo Hall.

BYLAWS

1. If we amend our bylaws mid-year, should we submit a copy to the District or wait for year-end?

Anytime bylaws are changed, the campus principal and the Business Manager should be sent a copy.

2. Why do we need bylaws?

Bylaws are the written document that defines the purpose of the group, rules that govern the PTO and general operating guidelines. The IRS requires any 501(c)(3) organization to maintain a set of bylaws. Bylaws should be customized for each group, reviewed, and updated annually.

CARRYOVER BALANCES

1. How much money can a PTO or PTO carryover into the next year?

The District recommends PTO's and PTO's seek legal advice for more information on this subject. With that being said, based on our research, we believe there is no legal requirement that nonprofit, tax-exempt organizations spend all their funds, and there is no limit on the amount of funds that may be carried over to subsequent years. Parent groups frequently carry forward at least minimal amounts to get the next year started. Again, for more information, please seek advice from the organization's legal and accounting representatives.

DONATIONS

1. Can a PTO provide a donation letter to parents who volunteer their equipment for the PTO's use?

Yes. For example, a parent offered the use of his/her trailer for a softball fundraiser.

2. If the PTO lost its tax-exempt status, can it provide a tax-deductible receipt to donors?

No. If the IRS notified the PTO that it lost its tax-exempt status due to failure to file federal taxes for three consecutive years, it is considered a for-profit, taxable entity and cannot offer this benefit to its donors. Please inform donors their donation will not be tax-deductible.

FISD EMPLOYEES AS OFFICERS OR BANK SIGNERS

1. Can a FISD employee hold an office in our PTO?

Yes.

2. Can a FISD employee maintain signing rights on a PTO Bank Account?

No. FISD employees may not sign PTO checks. Typically, this means employees cannot hold the office of Treasurer or President unless the President relinquishes his/her rights to sign checks and assigns that duty to a Vice President.

3. Can a FISD substitute teacher be an officer of a PTO or sign checks for the PTO?

FISD substitutes may hold a PTO office and may sign checks.

FISD NAME AND EIN USAGE

1. Can a PTO use the FISD EIN?

No. Please do not use FISD's name or EIN in any document or for any purpose. Do not file taxes using the District EIN. The PTO must use its own EIN and name.

DONATIONS

3. Can a PTO provide a donation letter to parents who volunteer their equipment for the PTO's use?

Yes. For example, a parent offered the use of his/her trailer for a softball fundraiser.

4. If the PTO lost its tax-exempt status, can it provide a tax-deductible receipt to donors?

No. If the IRS notified the PTO that it lost its tax-exempt status due to failure to file federal taxes for three consecutive years, it is considered a for-profit, taxable entity and cannot offer this benefit to its donors. Please inform donors their donation will not be tax-deductible.

FEES TO VENDORS

1. How are clinicians, band technicians, choreographers, etc. paid by the PTO?

Boosters PTO's should not pay the technician or choreographer directly. The District should coordinate with the vendors who are required to undergo criminal history background checks and abide by District purchasing contracts.

FLYERS

1. How do I submit a flyer for approval and distribution to K-5 schools?

Paper flyers are only distributed three times per year at the campus.

<http://www.FISD.net/departments/communications/flyer-distribution-request>

2. What is the turnaround time for approval once a flyer is submitted?

Flyers are approved within one business week. If a revision is required, you will be contacted.

FUNDRAISING

1. Can PTO's have "letter campaigns" asking for donations rather than selling items?

Yes, however this method is considered a fundraiser. Please remember to provide donors a tax-deductible receipt if the PTO is in good standing with the IRS.

2. Can the PTO sell homemade goods as a fundraiser? If so, when?

Yes. The PTO may sell homemade goods but there are limitations. Bake sales may be held at the High School during the school day as long as the sale does not take place in the area where meals are sold or consumed (i.e., cafeteria). You may visit with the Principal for additional locations. At the Junior High, a bake sale may take place after school.

3. Can students fundraise to offset costs to attend a trip even if not all students will attend?

Yes, however, all fundraising organized by the boosters must benefit all students in the program equally. Additionally, the PTO cannot require students to participate nor meet sales quotas.

4. What steps do I take to obtain approval for a fundraiser?

Please check with the sponsor/coach and campus administrator prior to scheduling a fundraiser. Each campus maintains different protocol for approving fundraisers.

5. How many tax-free fundraisers are permitted each year?

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) status can hold two one-day tax-free sales or auctions each calendar year. For more information, visit the State Comptroller at Comptroller.Texas.Gov.

GIFTS

1. Can the PTO give gifts to the campus principal, sponsor, the board of trustees, or officers of the PTO?

No. The purpose of a PTO is to support the student program. Funds raised or donated may not be used for gifts for the persons mentioned above. UIL allows gifts to coaches up to \$500.00 per year cumulative (i.e., if they coach more than one sport, the total amount cannot be greater than \$500.00 for all sports combined). FISD recommends no cash or checks be given to coaches.

2. Can the PTO give gifts to students?

*No. UIL is very restrictive on the amount spent on students, therefore the District cautions giving gifts to students (including seniors) in order to protect their UIL eligibility under Section 441. **Senior awards** are permitted under Section 480 by the UIL and limited to \$70.00, which must be used on a senior memento such as a plaque or award. Do not give cash or gift cards. Contact the UIL with specific questions. For more information, visit the UIL PTO guidelines at <https://www.uil texas.org/policy/booster-PTO-guidelines>.*

IRS/FEDERAL REQUIREMENTS

1. What does being a 501(c)(3), tax-exempt organization mean?

Tax-exempt status is defined in section 501(c)(3) of the IRS Tax Code. The term "tax-exempt," when used in reference to nonprofit organizations, generally refers to the net profits (proceeds less expenses) of an organization being exempt from federal tax. While establishing an EIN is the first step in creating a 501(c)(3) organization, the entity is not automatically tax-exempt upon creation. Tax-exemption can be achieved only through applying for and receiving IRS approval.

2. Does a 501(c)(3) expire or need to be renewed?

No, it does not expire and does not require renewal. However, it can be revoked for failure to file federal taxes annually.

3. Is there more than one category of tax-exempt organizations?

Yes. The most familiar is 501(c)(3) public charity or private foundation. All FISD PTO's are public charities since the majority of their funding comes from various public sources.

4. What benefit does being 501(c)(3) offer a PTO and its donors?

One of the primary benefits is the ability to accept donations that are tax-deductible to the donor. Additional benefits include, but are not limited to: 1) exemption from federal corporate income taxes and 2) exemption from certain state taxes (franchise). The PTO is also able to

apply for grants and other public or private allocations available only to IRS-recognized, 501(c)(3) organizations. The PTO may purchase goods tax-free and receive discounts on US Postal bulk-mail rates and other services.

5. When does the PTO file Form 990, 990-N (e-postcard), or 990-EZ?

Typically, PTO's have a fiscal year that runs from July 1 – June 30. Therefore, taxes are due 15 days after the 5th month of the PTO's year-end (which, for most is November 15). The PTO may file as early as July 1. Failure to file taxes for three years will result in the automatic revocation of the PTO's exemption.

6. The PTO's officers and mailing address changed this year, how do we update our information with the IRS?

PTO's must complete [Form 8822-b](#) (Change of Address or Responsible Party) each year when changes occur and submit to the IRS.

7. Will the District file a group federal tax return on behalf of all PTO's?

No. The District will not file a group tax return for all PTO's. Each PTO is responsible for filing its own federal taxes each year using its own name and EIN.

PURCHASING

1. Are there purchasing guidelines PTO's need to follow?

Yes. The District recommends, but does not require, the following purchasing practices for PTO's: 1) for large purchases, obtain two or three quotes for members to consider and vote upon; 2) match every check purchase with a receipt or a request for expenditure; 3) be mindful of conflicts of interest – if an officer in the PTO owns a business and would like to sell items to the PTO, the Officer may submit a bid but may not vote in the vendor selection process.

2. Can a sponsor request reimbursement from the PTO for items purchased for the program using the sponsor's personal funds?

Yes. Ideally, the sponsor/coach would apprise the PTO of the intended expense, and allow the PTO to purchase the item directly. This rule does not apply to District travel. Travel reimbursements should be processed through FSD.

3. Are PTO's required to use District purchasing contracts?

No. PTO's are treated as private entities under Texas law and are not constrained by Texas Public Education purchasing requirements. PTO's may independently use similar vendors as FSD, but cannot utilize the District's purchasing contract for that particular vendor.

4. Can, or should, the sponsor handle funds for purchasing items such as team t-shirts?

No. It is customary for the PTO's to handle the collection of funds for PTO business. The coaches or sponsors should not handle PTO money, and the PTO should not handle the district/campus money.

5. If a PTO donates money to FISD for the purchase of items requested by the Sponsor, is there an approval process?

Yes. For example: if a coach would like to purchase a certain piece of equipment, the PTO should donate money to the school and the school would utilize a FISD approved vendor to purchase an item. The PTO will receive a donation receipt from the campus bookkeeper or secretary.

6. If the PTO donates money to the campus Activity Fund and then changes its mind, can the PTO request reimbursement from the campus Activity Fund?

No. The Texas Education Agency prohibits reimbursement from Activity Funds to outside organizations such as PTO's.

7. Can I ask a vendor to send the PTO bill to the school or campus bookkeeper?

No. The bookkeepers should not facilitate paying or forwarding PTO Invoices.

SCHOLARSHIPS

1. How should the PTO distribute scholarship money?

Scholarships for seniors should be made payable to the university (including "for the benefit of" the student's name) and sent to the University's Registrar. Scholarship money should never go directly to the student.

2. Can our PTO announce scholarship winners prior to UIL eligibility completion?

No. Per UIL Guidelines, all UIL eligibility must be complete prior to scholarship announcement.

STATE OF TEXAS: SALES TAX AND EXEMPTIONS

1. If the PTO is recognized as tax-exempt from the IRS, does it need to advise the State of Texas?

Yes. If not already completed, please complete [Form AP-204](#) from the State of Texas Comptroller's [website](#) if a new PTO or if reinstating the PTO after being revoked. If the PTO does not apply for tax-exempt status with the State of Texas, it will be liable for filing Franchise Tax (even if nothing is due) and will be penalized \$50.00 for each quarter it is late.

2. The PTO presently pays Texas sales tax quarterly; can it change this to an annual filing?

Yes. The state allows the request, in writing, to convert the quarterly sales tax filing requirement to an annual schedule during the months of November and December only. Please continue to file quarterly taxes until notice from the state is received acknowledging the change.

3. Does sales tax apply to food sales?

No. Sales tax does not apply to food sales.

4. Does the PTO need to apply for a Sales Tax Permit each year?

No. Once it applies for a [Sales Tax Permit](#), it has the permit for the life of its organization until it is revoked or abandoned. However, the state requires monthly or quarterly reporting of sales tax to stay current. Understand that failure to report sales and sales tax (monthly or quarterly) can result in fines and interest penalties from the Texas Comptroller.

5. If the PTO purchases uniforms for a team, are they liable for sales tax?

The PTO should not buy uniforms directly. The PTO should donate the money to the District. The District will utilize District purchasing contracts to purchase uniforms.

TRAVEL

1. Can the PTO pay vendors directly for airlines, hotels, and rent housing?

The PTO can pay vendors directly for airlines. The PTO can NOT pay vendors directly for hotels and rent housing. Please contact the FISD Transportation Director for student transportation via vans, buses, and charter buses.

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