

Belton Independent School District



Parent Organization & Booster Club Guidelines



Melissa Lafferty
Chief Financial Officer

Dear Parents:

On behalf of Belton Independent School District, I want to express my appreciation for your many hours of dedicated service in support of our students and schools. Our partnership with parent organizations and booster clubs is an important part of our efforts for the students to achieve excellence in curriculum, extra-curricular and co-curricular activities.

The following guidelines will assist you in complying with district policies and guidelines, University Interscholastic League (UIL) guidelines, and state and federal requirements governing parent organizations and booster clubs.

Through parent support, our students are afforded many opportunities to develop and showcase their talents in the context of quality programs. I thank you for your ongoing support of students and schools in Belton Independent School District.

Sincerely,

Melissa Lafferty

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Chief Financial Officer

Introduction

The primary objective of a parent organization (PO) or booster club (BC) is to encourage the cooperation of parents, students, school staff, and community members to enrich and complement the education and extracurricular activities of BISD students. BISD is grateful to PO/BC officers and members for their dedication to this task.

Parent organizations include Parent Teacher Organizations (PTO), Parent Teacher Associations (PTA), and Parent Teacher Student Organizations (PTSO), and Parent Teacher Student Associations (PTSA). For purposes of this manual, the various types will be referred to as Parent Organizations (PO).

Although POs/booster clubs may be individual 501(c)(3) tax-exempt organizations, their activities impact the district and the public perception of the district, so BISD has the authority to regulate these organizations.

The main responsibilities of a PO/booster club, a sponsor, and a principal are discussed below:

- A. PO/booster club** - A PO/BC supports students and staff at an elementary school or high school. Support ranges from volunteering at the school or providing refreshments for an event to raising money for an out-of-state competition. Principals/sponsors select, plan and organize all student activities and PO/booster clubs support the event by raising funds or volunteering at the event as invited by the campus.
- B. Sponsor/Liaison** - Under the supervision of the campus principal, a sponsor of a student group is the liaison between the booster club and the school/district. With the approval of the campus principal, the sponsor determines the activities and trips in which the student group will participate and guides the booster club to support the student group.
- C. Principal** - The principal is responsible for approving the formation of a PO/booster club, the activities of the student group and some activities of the PO/booster club.

PO/booster club officers are solely responsible for ensuring their organization's compliance with all state and federal regulations; BISD and district employees do not share this obligation. If needed PO/BCs should obtain competent, independent counsel (Certified Public Accountant [CPA] or an attorney) on related accounting and tax matters at the expense of the PO/BC.

Overview of Forming a PO/Booster Club

To assist BISD schools and students, parents may form organizations to help raise money to enhance a school or student group. At elementary schools, parents may form a Parent-Teacher Organization (PTO) or establish a school chapter of the Parent-Teacher Association (PTA) to support all students enrolled in the school. At secondary schools parents may form Booster Clubs (BC), a Parent-Teacher Organization (PTO), a Parent Teacher Association (PTA), a Parent-Teacher-Student Organization (PTSO), or a Parent-Teacher-Student-Association (PTSA).

PO/Booster Clubs are a great support to schools and student groups. Optimal efficacy requires a strong commitment from members, so great consideration should be taken before forming a PO or Booster Club.

Parents interested in forming a PO/Booster Club should discuss the pros, cons and responsibilities of having a PO/Booster Club amongst each other and with the campus principal. **The Campus Principal and Chief Financial Officer should be provided with a completed Booster Club Information Sheet prior to October of the year the PO or Booster Club is formed.**

Consider the questions below when deciding whether to form a PO/Booster Club.

- A. Will a PO/Booster Club add specific value to the school or student group?
- B. Are there enough parent volunteers willing to commit time and resources to sustain a PO/Booster Club?
- C. Are parents willing to obtain necessary training to be in compliance with all BISD, UIL, state, and federal regulations? (This includes submitting required accounting data [including annual tax filings] information to the Texas Comptroller's Office and the IRS.)
- D. Have parents read the BISD Parent Organization Booster Club Guidelines to understand the commitment required to maintain a PO/Booster Club?
- E. Have parents researched PO/Booster Club in operation to understand the scope of the responsibility of operating an IRS tax exempt organization?
- F. Have parents conferred with the campus principal/sponsor to obtain support for the formation of a PO/Booster Club?
- G. Do you want to form a PTA or an independent parent organization/booster club referenced in the guidelines? PTAs are chapters of a national organization and their formation is outlined by the national PTA.

Forming a PO/Booster Club

After submitting the Booster Club Information Sheet to form a PO/Booster Club, complete the following steps necessary to establish the organization.

If you are forming a PTA please contact the state level PTA office www.txpta.org

- A. Establish a PO/Booster Club Steering Committee to setup the organization. Members of the steering committee are not PO/Booster Club officers until they are elected at a general membership meeting.
- B. Determine official mailing address of the PO/Booster Club. A post office box (PO Box) or private mailing box (PMB) is recommended to avoid frequent changes. The address and box keys are easily passed to newly installed officers. Address changes must be reported to BISD, Texas Secretary of State, Texas Comptroller's Office, IRS and the organizations financial institution.

The school's address may be used as the PO's/Booster Club's official address; however, the PO/Booster Club may not receive mail timely when the school is closed (i.e., summer vacation and holidays).
- C. Draft and approve the PO/Booster Club bylaws. The Steering Committee must approve the bylaws to allow the group to proceed with applying for incorporation with the State and applying for tax exemption with the IRS.
- D. File for incorporation with the Texas Secretary of State by completing [Form 202 \(Certificate of Formation Nonprofit Corporation\)](#) and submitting it to the Texas Secretary of State. Read [Forming a Nonprofit Tax-Exempt Corporation in Texas](#) information.
- E. A membership drive should occur to inform parents PO/Booster Club meetings. The general membership should approve establishing the PO/Booster Club, approve the organization bylaws and elect officers at the first meeting.
- F. Apply for an Employer Identification Number (EIN) with the IRS. The EIN can be requested prior to the first membership meeting to open the PO/Booster Club bank account.
- G. After receiving an EIN, the PO/Booster Club can open a bank account. If the bank account is opened prior to the election of officers, the Steering Committee members may be signers on the account.
- H. POs – Apply for an exemption from Texas sales tax, hotel occupancy tax and franchise tax by completing [AP-207 for Educational Organizations](#). (Booster Clubs cannot apply for state exemptions until a 501(c)(3) exemption is obtained from the IRS).
- I. Apply for a Sales Tax Permit (*if required*) with the Texas Comptroller's Office. If the PO/Booster Club will not be selling any taxable items or services, the organization does not need to obtain a Texas Sales Tax Permit.
- J. Apply for federal tax exemption as a public 501(c)(3) organization with the IRS. Applicants will receive a Letter of Acknowledgement from the IRS indicating receipt of application and payment. A Determination Letter should be received approximately 4-6 months after the initial application stating the organization's 501(c)(3) tax-exempt status.

- K. Booster Clubs – Apply for an exemption from Texas sales tax, hotel occupancy tax, and franchise tax by completing [*AP-204 for Federal Exemptions and all others*](#).
- L. PO/Booster Clubs are strongly encouraged to consider purchasing a general liability policy, and officer's liability policy. Please indicate the liability policies in force and the insurance carrier on the Booster Club Information Sheet.
- M. All of the documents listed above should be retained in a “permanent file” and electronic file to be passed down at the installation of each president. A shared electronic file is suggested to allow all officers access to these important documents.

The Business Office may have examples of some of these documents on hand. Please contact us to see what samples are available.

Steering Committee

New elementary schools or high school clubs may use a steering committee to facilitate the formation of a new PO/Booster Club. For POs, the steering committee could be comprised of the principal and one or more parent representatives from each of the schools that will be sending children to the new elementary school. For Booster Clubs, the steering committee could be comprised of the sponsor (teacher) and several parents who have children that participate or will be participating in the school activity for which the Booster Club is being formed.

The steering committee may:

- A. Draft and approve bylaws.
- B. Have a membership drive.
- C. Promote volunteer recruitment.
- D. Recruit a slate of proposed officers.
- E. Draft a preliminary budget.
- F. Hold the first general membership meeting to re-approve the bylaws and elect the officers.

During the membership drive and prior to the general membership meeting, the bylaws and slate of proposed officers should be available for public viewing for a reasonable time period.

I. Membership

Membership is open to individuals who are parents, guardians, stepparents, or grandparents of a student at the elementary school (POs) or of a student active in the sponsored program (Booster Clubs) who are current in their dues. PO membership is also open to teachers and to individuals from a business partner or community organization that is involved in the Adopt-a-School Program. Only active members should have the ability to vote or hold an office. Other individuals may volunteer for the PO/Booster Club, but cannot vote or hold an office. “Members” should be defined in the PO/Booster Club bylaws.

II. Membership Dues

POs/Booster Clubs may charge dues to their members; however, parents and teachers **do not** have to be members of the PO/Booster Club for their child(ren) or students to receive benefits from PO/Booster Club activities. The dues amount should be voted on by the PO/Booster Club Board.

Bylaws of Corporation

Bylaws are the governing document for the PO/Booster Club. They outline the philosophy, structure, and general procedures of the organization. The bylaws are formulated as a series of “articles,” each dealing with one aspect of the outline.

Each PO’s/Booster Club’s bylaws should specify:

- A. **Name of Organization**
- B. **Purpose:** define the charitable purpose of the corporation. The nonprofit needs to make sure the purposes clause is not so narrow that it unduly limits the nonprofit’s activities, and not so broad that it prevents the nonprofit from obtaining 501(c)(3) exemption from the IRS.**
- C. **Meetings:** the frequency and place of meetings, the type of notice required, and whether directors may vote by written proxy.
- D. **Leadership:** the titles and specific responsibilities of the officers, qualifications for directors, the number of directors, the length of terms for the directors and officers, and the method for electing and removing directors and officers. The corporation must have a president, treasurer, and secretary.
- E. **Provisions for Membership:** qualifications for membership, method of selection, dues and fees, voting rights, and the frequency and place of membership meetings.
- F. **Quorum:** the number of members or directors required for a quorum to conduct business, and the proportion of votes required to take action on a matter (pursuant to Texas law, an act of the board is an act of the majority of the directors present unless a greater number is required by the certificate or bylaws).
- G. **Financial Policies/Controls:** the signatures required for execution of legal documents, signatures required for checks, accounting method (i.e., cash or accrual), number of authorized signers on the bank account(s), and other controls over financial transactions and transfers of corporate assets.
- H. **Committees:** the types of committees, responsibilities of committees, and qualifications for serving on a committee.
- I. **Fiscal Year:** the accounting period of the corporations; which need not be the calendar year.
- J. **IRS Language:** special clauses that relate to (i) the dissolution of the nonprofit, (ii) “inurement,” and (iii) a general statement that the corporation may not take action that would be inconsistent with the requirements for tax exemption under Section 501(c)(3). It must be stated that, upon dissolution, any remaining assets will be distributed to other organizations exempt under Section 501(c)(3). *
- K. **Bylaw Amendments:** the procedures for amending the bylaws. Amendments may be adopted by the Board, but in most cases they require a two-thirds vote of the members at a general meeting. Prior notice of the proposed amendment is always required, either at the previous meeting or at least a certain number of days before the vote. A committee may be appointed to write a revised set of bylaws. This usually requires a vote at a general meeting, but may also be allowed by a two-thirds vote of the Board. Requirements for adopting the revised set of bylaws should be the same as for an amendment.

*Denotes articles required by the IRS.

**Denotes articles required by the Secretary of State.

Obtaining an Employer Identification Number

Every organization must have an employer identification number (EIN), even if it will not have employees. The EIN is a unique number that identifies the organization to the IRS.

Since POs/Booster Clubs are separate entities from the district, **POs/Booster Clubs cannot use the district's EIN.**

An organization is **not** automatically considered tax-exempt by acquiring an EIN. All organizations must first apply for an EIN to be recognized as a unique entity and then apply for tax-exempt status. Likewise, the mere fact that an entity is organized as a nonprofit organization does **not** indicate that it is exempt from federal tax.

POs/Booster Clubs may obtain an EIN by [applying online](#). Once the application is completed, the information is validated during the online session, and an EIN is issued immediately.

No fee is required for obtaining an EIN.

After receiving your EIN, you may use it to then open a bank account and obtain a State Sales Tax Permit. POs/Booster Clubs should **not** use an individual's social security number to conduct the business of the organization.

Texas Sales Tax Permit

I. Obtaining a Texas Sales Tax Permit

To sell any taxable items within the State of Texas, a PO/Booster Club must apply for a Sales Tax Permit. The sale of goods includes fundraisers, such as candy sales, t-shirt sales, and sales of other taxable items. In addition, some POs/Booster Clubs may sell services that are taxable.

If the PO/Booster Club is acting as an agent for a vendor, then the sales tax is the responsibility of the vendor. This situation would not require that a PO/Booster Club to have a Sales Tax Permit.

POs/Booster Clubs may obtain a Texas Sales Tax Permit by submitting the completed applications to the Texas Comptroller's Office. You must apply on-line for the [Texas Sales Tax Permit](#).

A Texas Sales Tax Permit will be issued to the PO/Booster Club along with a Sales Tax Permit Number. The Texas Sales Tax Permit Number has 11 digits. **POs/Booster Clubs cannot use the District's Sales Tax Permit Number.**

If your PO will not be selling any taxable items or services, you do not need to obtain a Texas Sales Tax Permit.

II. Reporting Requirements

If the PO/Booster Club has a Texas sales tax permit, the Texas Comptroller's Office requires that the PO/Booster Club file at least one sales tax report per calendar year. The frequency of filing the sales tax report is determined by the Texas Comptroller's Office. The amount of anticipated sales tax payments affects the frequency of reporting. The sales tax reports may be due monthly, quarterly, or annually.

Since sales tax payments may vary from year to year, the frequency of reporting can also change. The Texas Comptroller's Office will generally communicate changes in filing requirements to the POs/Booster Clubs in writing. In addition, the Texas Comptroller's Office will generally mail the required reporting form and information to organizations that have obtained a Sales Tax Permit.

Even if the PO/Booster Club did not make any sales or all sales were nontaxable, a sales tax report must be filed.

Public 501(c)(3) Tax-Exempt Status

I. Benefits/Restrictions of a Public 501(c)(3) Tax-Exempt Organization

The IRS Tax Code provides for special treatment of certain organizations identified as "tax-exempt." Some benefits to becoming tax-exempt as a public 501(c)(3) organization include:

- A. Taxes are not paid to the IRS for revenues raised, and
- B. Contributions to certain tax-exempt organizations [501(c)(3)] are tax-deductible by the contributor.

However, the following are restrictions placed on tax-exempt organizations that POs/Booster Clubs **must** follow to receive tax-exempt status and to retain that status:

- A. **The PO/Booster Club must benefit a campus/organization as a whole instead of benefiting individual members of a campus/organization.**

In some instances, individuals may not be able to afford to pay the amount owed to participate in a particular event. The IRS has indicated that an organization may establish criteria that could be used to determine if an individual is in financial need. If the criteria are met, the organization could provide the necessary funds to allow the individual to participate. One criterion could be whether the student is on the free/reduced lunch program. The criteria should be established in writing prior to a particular situation arising. In addition, the criteria should be used consistently for all individuals, and the criteria should not change every year.

- B. **The PO/Booster Club cannot use individual accounts.** "Individual accounts" are used by an organization to record a credit to an individual (participant) based on revenues raised. The organization would offset that individual's expenses with the amount credited to that individual from the revenues raised.
- C. **The PO/Booster Club cannot require a person to participate in fundraising activities.**
- D. **The PO/Booster Club cannot require that a certain amount be raised or sold per person.**

II. Applying for Public 501(c)(3) Tax-Exempt Status

Tax-exempt status is not automatic once an EIN has been issued; organizations **must** apply for tax-exempt status. According to the IRS, an organization is either a taxable organization or a tax-exempt organization.

All POs/Booster Clubs must obtain tax-exempt status with the IRS as a public 501(c)(3) organization. Only the 501(c)(3) status allows any donations to be deductible on the contributor's tax return. The PO/Booster Club officers should take the necessary steps to ensure they follow the regulations regarding that type of entity.

To apply for 501(c)(3) status, the forms required, the user fee, the filing deadline, and the processing procedures as discussed below.

III. Form 1023-EZ

Small organizations may file Form 1023-EZ, *Streamlined Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, instead of Form 1023, and pay the required user fee. Form 1023-EZ must be filed electronically at Pay.gov. A user fee is required to process your application. This fee must be paid through www.pay.gov when you file your application. Payments can be made directly from your bank account or by credit/debit card.

To submit Form 1023-EZ, you must:

- A. Read the [Instructions for Form 1023-EZ](#) and complete its Eligibility Worksheet found at the end of the instructions.
- B. If eligible to file Form 1023-EZ, register for an account on www.Pay.gov.

- C. Enter "1023-EZ" in the search box.
- D. Complete the form and pay the user fee of \$275.

If you are not eligible to file Form 1023-EZ, you must file Form 1023.

IV. Form 1023

[Form 1023](#), *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, should be filed if you're ineligible to file Form 1023-EZ.

- A. Register for an account on www.pay.gov
- B. Complete Form 1023 and pay the user fee of \$600.

V. Fiscal Year-End

When completing the IRS Form 1023, POs/Booster Clubs will establish their fiscal year-end (*also known as the accounting period year-end or official year-end*). Once this date is established, the IRS does not easily allow an organization to change it. Changes are usually only allowed for extreme circumstances.

The date established will determine when the PO/Booster Club has to file their informational return (Form 990) to the IRS. The return is due 4 ½ months after the end of a fiscal year (*the 15th day of the 5th month after the organization's accounting period ends*).

When considering a fiscal year-end date, it's advisable to choose June 30. This way, the financial activity of the club can relate easily to a given school year.

Second, the current officers can prepare the annual Financial Report and have it audited before the new school year begins. Third, POs/Booster Club Form 990 would not be due to the IRS until November 15 of the following year; therefore, the new officers would have time to prepare it after beginning the new school year.

VI. IRS Approval Process

The IRS approval process for tax-exempt status usually takes several months. They will send the organization an Acknowledgement of Your Request letter that indicates your application and fee were received and are being processed.

Upon approval by the IRS of the tax-exempt status, the organization will receive a Determination Letter stating that the organization is considered to be tax-exempt as of a certain date. Only then can the organization represent itself as a federally tax-exempt organization.

Likewise, donations to the organization are only deductible on the contributor's tax return as of the effective date on the Determination Letter received by the PO/Booster Club granting 501(c)(3) tax-exempt status and within set guidelines that apply to 501(c)(3) organizations.

If the IRS does not grant tax-exempt status, the organization will receive a Letter of Denial stating the organization is not considered tax-exempt.

If a PO/Booster Club has not received their IRS tax exemption, the organization must clearly state in all advertisements that donations to the organization are "not tax-deductible" so that a contributor is not misled and does not incur penalties levied by the IRS for taking the deduction erroneously.

Texas Sales and Franchise Tax Exemptions

To apply for [Texas Sales and Use Tax and Franchise Tax Exemptions](#), POs should use application *AP-207* prior to receiving your federal exempt status from the IRS. Booster Clubs must receive their IRS tax-exempt status as a 501(c)(3) organization before they can apply for this exemption. Booster Clubs should complete application *AP-204*.

The sales and use tax exemption allows approved organizations an exemption from sales tax when purchasing items to further the organization's exempt purpose. This exemption process is separate and in addition to applying for federal tax-exemption from the IRS.

POs/Booster Clubs with the [sales tax exemption](#) are entitled to two (2) "one-day, tax-free" sales or auctions per calendar year. One day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. Either the date on which the items are delivered by the vendor to the PO/Booster Club or the day on which the PO/Booster Club delivers the items to its customers may be designated as the one-day tax-free sale day.

The PO/Booster Club **must** be granted the exemption first to be entitled to the two (2) "one-day, tax-free" sales or auctions per calendar year.

Financial Responsibilities

Accounting Controls and Procedures

A PO/booster club **must** have a President, Treasurer and Secretary who are active PO members in order to operate. One person **cannot** hold more than one office since these positions provide financial checks and balances and internal controls. Spouses or family members **may not** hold the office of President and Treasurer of the same organization simultaneously.

A district employee may serve a parent organization as a general member or as a member of its executive board, except for the position of treasurer. A district employee shall not serve in a capacity over the organization's financial affairs, including an authorized signer on the bank account.

POs/booster clubs may provide support to their school in two manners:

- A. PO/booster club members raise funds for the school, and those funds are deposited into the organization's bank account. The PO/booster club writes a check to the school to be deposited into the school's activity fund. The school should issue a Gifts, Grants, and Bequests Form and record the money received as a donation to the school.

All accounting and safeguarding of the funds (once given to the school) are the responsibility of the school, and the funds are spent at the discretion of the campus principal. ***This method is recommended by the IRS*** to generate a clear path of revenue generated and expended to support the school while reducing the amount of accounting paperwork and responsibility for the PO/BC.

- B. PO/booster club members raise funds for the school, and those funds are deposited into the organization's bank account. The PO/booster club writes checks to the individual vendors for expenses related to their mission to support the school. All accounting and safeguarding of the funds are the responsibility of the PO/booster club.

Bank Accounts

POs/booster clubs must open a bank account with the organization's EIN number. A person's social security number or the district's EIN number **cannot** be used by a PO/BC to set up a bank account.

A substitute or temporary worker may serve as Treasurer or an authorized signer on the PO's/booster club's bank account(s) with appropriate written approval from the Principal/supervisor and the Chief Financial Officer. This approval must be requested and received each school year and must be kept on file with the Business Services Department.

The district recommends that at least two authorized signatures be required for each check written to assist in establishing good internal controls over check disbursements.

The work of any person handling money should be subject to appropriate checks and balances.

Carry-Over Balances

No rule or regulation exists concerning the amount of funds that a PO/booster club can retain in bank accounts, but PO/booster club should spend the funds in the year the funds were raised. This practice ensures that those who raised the funds are witness to the impact of the contribution. Clubs should allow enough carry over money to provide new officers sufficient funds to begin the year and fund activities until a fundraiser is held. Carryover balances will vary from club to club and year to year. Funds in excess of that amount should designated for a specific purpose in the Treasurer's records (i.e. money saved for a student trip or raised for playground equipment that will take years to raise).

Collections for Specific Individuals or Families

Since the purpose of a PO/BC is to raise money for **all students or all students in a specific group/club**, POs/BCs may not raise funds for an individual or a single family. Donations to individuals in need must be arranged completely independent of BISD or the PO/BC.

Conflict of Interest

Officers and members must avoid any actual or perceived conflicts of interest (conflict between their personal interests and the interest of the PO/booster club/campus). Officers and members must perform the day-to-day duties with integrity and in an ethical manner.

Contributions/Donations Received

If your organization is not a 501(c)(3), contributions or donations are **not tax-deductible**. In addition, you must inform the individual or business that the contributions or donations are not tax-deductible.

POs/booster clubs with a Determination Letter from the IRS granting **501(c)(3)** tax exemption are allowed to receive **tax-deductible contributions** in accordance with IRS Regulation 170. For contributions of \$250 or more, the PO/booster is required provide donors with a written acknowledgment including the organization's EIN.

The written acknowledgement must contain:

- A. Organization name
- B. Amount of cash contribution
- C. Description (but not the value) of non-cash contribution. It is the responsibility of the donor to determine the value that they would report on their tax return.
- D. Statement that no goods or services were provided by your organization in return for the contribution, if that was the case*
- E. Description and good faith estimate of the value of goods or services that your organization provided in return for the contribution.

*According to IRS Publication 1771, insubstantial goods or services your organization provides in exchange for contributions do not have to be described in the written acknowledgment. Low-cost items are also considered to be insubstantial. See Revenue Procedures 90-12 and 92-49 for additional information.

Even though contributions or donations received will ultimately support the student group at a school, the gift is still considered to be a gift to the PO/booster club and not to the school or to the district.

Corporation Reporting

A nonprofit corporation is required by law, regardless of the corporation's tax status, to file an informational report not more than once every four years upon request by the Secretary of State. The report provides information regarding the corporation's registered agent and registered office (preferably the Principal/Sponsor and school address), and the names and addresses of its current officers, and is required regardless of the corporation's tax status. Once requested, the report must be completed and filed with the Secretary of State to avoid termination of the corporation.

Financial Aid Guidelines

Tax-exempt organizations must benefit an entire group, not select members of a group. Since POs/booster clubs assist schools/student clubs, all students of the school or club are to be treated equally and receive the same opportunity to benefit from the PO's/booster club's assistance. Therefore, one student cannot receive a greater benefit than another unless the criteria for financial need discussed below is met.

In some instances, individuals may not be able to afford to pay the amount owed to participate in a particular event. The IRS has indicated that a group or club may establish criteria that could be used to determine if a person is in financial need. If the criteria are met, the group or club could provide the necessary funds to

allow the individual to participate. The criteria should be established in writing prior to a particular situation arising and must be applied consistently.

Financial Reports

Each year PO/booster clubs are required to submit a written report of actual revenues and expenditures to the Principal and Chief Financial Officer by October 31st of each year. The Financial Report is **not** audited by the District.

The written Treasurer's Report must be presented at every PO/booster club meeting that includes its general membership, and a copy of the annual Financial Report must be presented to the general membership by October 31 of each year.

IRS

Annually, each PO/booster club **must file** an exempt organization information return Form 990-N, 990-EZ, or 990, *Return of Organization Exempt from Income Tax*. The return is due by the 15th day of the 5th month after the close of your tax year. For example, if your tax year ended on June 30, the Form 990 is due Nov. 15. The IRS will automatically revoke your tax-exempt status if you fail to file the appropriate 990 form for three consecutive years.

Whether or not your organization has filed for exemption status with the IRS, file the appropriate 990 form as required by exempt organizations.

A. POs/booster clubs must use [Form 990-N](#) (e-Postcard) if:

1. Gross receipts are \$50,000 or less.

B. POs/booster clubs must use Form 990-EZ if:

1. Gross receipts are more than \$50,000 but less than \$200,000 AND
2. Total assets are less than \$500,000 at year-end.

C. POs/booster clubs must use Form 990 if:

1. Gross receipts are \$200,000 or more OR
2. Total assets are \$500,000 or more at year-end.

For more information regarding documents or regulations your PO/booster club might need, please go the [IRS Stay Exempt](#). Publications on this site include Form 990, 990-N and 990-EZ Filing Tips.

Also, the IRS's [Life Cycle of a Public Charity](#) includes explanatory information and links an organization may need to file during the five stages of its life.

IRS Reinstatement of 501 (c)(3) Tax-Exempt Status

A PO/booster club that does not file the appropriate 990 form for three consecutive years will automatically lose their tax-exempt status and is no longer exempt from federal income tax and is not eligible to receive tax-deductible contributions. Therefore, it may be required to file a Corporate Income Tax Return and pay applicable income taxes.

Streamlined Retroactive Reinstatement

Organizations that were eligible to file Form 990-EZ or 990-N (ePostcard) may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- A. Have not previously had their tax-exempt status revoked.
- B. Complete and submit Form 1023 with the appropriate user fee not later than 15 months after the later of the date of the organization's revocation letter, or the date the organization appeared on the Revocation List on the IRS website.

Retroactive Reinstatement Process (Within 15 Months)

Organizations that cannot use the Streamlined Retroactive Reinstatement Process (such as those required to file Form 990 or those that were previously auto-revoked) may have their tax-exempt status retroactively reinstated to the date of revocation if they:

- A. Complete and submit Form 1023 with the appropriate user fee not later than 15 months after the later of the date of the organization's revocation letter, or the date the organization appeared on the Revocation List on the IRS website.
- B. Include a statement establishing that the organization had reasonable cause for its failure to file a required annual return for at least one of the three consecutive years for which it failed to file.
- C. Include a statement confirming that it has filed required returns for those three years and for any other taxable years after that period and before the post-mark date of the application for which required returns were due and not filed.

For additional information regarding on how to reinstate your organization, please go to the [IRS website](#).

Mailing Address

If the mailing address for the PO/booster club changes, immediately notify the district, the Texas Secretary of State, the Texas Comptroller's Office and the IRS. To avoid frequent mailing address changes, the IRS and the Texas Comptroller's Office recommend that each PO/booster club obtain its own post office box (PO Box) or private mailing box (PMB) to be used for official PO/booster club mail.

The school's address may be used as the PO's/booster club's official address. The PO/booster club should be aware that it may not receive mail in a timely manner when the school is closed (i.e., summer vacation and some holidays).

Please understand the importance of maintaining a consistent mailing address for the PO/booster club. First, you will save time since you will not have to update your address each year to the district, the Texas Secretary of State, the Texas Comptroller's Office, the IRS, and your bank as you would if you used someone's home address.

Second, POs/booster clubs receive several important documents from these agencies throughout the year, and if the address changes frequently, some of these documents could be lost or misplaced. The IRS mails forms and other correspondence to POs/booster clubs periodically. If these forms are not completed and returned to the IRS within a specific time period, a PO/booster club could lose their tax-exempt status and possibly face fines and penalties.

The district does not recommend using a home address since officers change frequently.

[Form 8822-B](#) is available to you for reporting a change of address to the IRS.

Membership Dues

POs/booster clubs may charge dues to their members (the parents and teachers); however, parents and teachers **do not** have to be members of the PO/booster club for their child(ren) or students to receive benefits from PO/booster club activities. **Membership dues are separate from the expenses incurred by a student for an activity (i.e., trip expense).** Membership dues are associated with the parents being part of the PO/booster club and are in **no way** associated with student expenses. The annual dues amount should be set and approved by the PO/Booster Club Board.

Paying and Reporting of Workers

Any individual hired by the PO/booster club must be paid directly by the PO/booster club.

In some situations, POs/booster clubs holding events at district facilities may be charged for BISD employees who must work as a result of the event. This expense will be included in facilities use charges.

Federal law requires PO/booster clubs to issue a 1099 to individuals paid \$600 or more for any reason during any calendar year. The PO/booster club should have a completed W-9 for all workers prior to payment. PO/booster clubs are responsible for volunteers and workers during PO/booster club events or activities (including injury or theft).

Certain district employees **cannot** be hired by a PO/booster club to perform work that includes the handling of money. These positions include Principals, Bookkeepers, and Principal Secretaries.

Record Retention

POs/booster clubs should establish a record file that is passed to the new officers each year. Some items should be kept indefinitely, and others should be kept for a certain length of time.

I. Permanent Records

A. Internal Records:

1. Certificate of Formation (formerly called “*Articles of Incorporation*”)/Articles of Association
2. Bylaws/Charter/Constitution
3. Minutes from meetings

B. State Records:

1. Sales Tax Permit Application (if applicable)
2. Sales Tax Permit
3. Certificate of Formation of Nonprofit Corporation from the State of Texas (if applicable)
4. State Sales Tax Exemption Notification
5. State Franchise Tax Exemption Notification (if incorporated)

C. Federal Records:

1. Copy of IRS Form SS-4, Application for Employer Identification Number
2. Copy of IRS Form 1023, Application for Recognition of Exemption, with all attachments
3. Copy of IRS Form 8718, User Fee for Exempt Organization Determination Letter Request, and copy of check sent to IRS with this form
4. Determination Letter

II. Non-permanent Records

The Texas Comptroller’s Office has four (4) years from the date tax becomes due and payable in which to assess the liability. This statute of limitations may be extended beyond the four (4) years, if an agreement is made in writing between the Texas Comptroller’s Office and the PO/booster club. In cases of fraud, or if the sales tax returns have not been filed, the statute of limitations does not apply, and the Texas Comptroller’s Office may assess and collect taxes, penalties and interest at any time.

The statute of limitations does not apply when information contained in the sales tax report contains a gross error and the amount of tax due and payable after the error is corrected is 25% or more than the amount initially reported. In addition, other exceptions to the statute of limitations may apply.

According to the IRS, POs/booster clubs must keep each annual information return (i.e., Form 990, Form 990-EZ, or 990-N) for 3 years from the date the form is required to be filed or from the date the form is actually filed, whichever is later. If fraud is suspected, or if returns have not been filed as applicable, the IRS could request information prior to the 3-year period discussed above.

Considering the requirements of the Texas Comptroller’s Office and the IRS, the record file should contain at least the following items for a minimum of five (5) years (current year and the four (4) previous years).

A. Internal Records:

1. Financial Reports

2. All financial backup including checkbook and banks records
3. Information related to contributions received by a PO/booster club from individuals or businesses
4. Financial Aid Guidelines

B. State Records:

1. Sales Tax Reports Filed
2. Copy of correspondence with the Texas Secretary of State and the Texas Comptroller's Office

C. Federal Records:

1. Copy of IRS Forms 990, 990-EZ, or 990-N filed
2. Copy of correspondence with the IRS

Before discarding any records, confirm with the Texas Comptroller's Office and the IRS that your organization is in good-standing and no open items or issues exist related to the time period involving the records that you would like to discard.

According to IRS disclosure requirements, if someone requests to view any of your tax applications, forms filed or tax returns, you must provide complete copies of the material. You may charge a nominal fee for copying, not to exceed the current [governmental rate](#).

Fundraising

Fund-raising is an opportunity to generate revenue for the Booster Club as a group, not individuals. Therefore, revenues should be recorded in a group account where all members or students have the same opportunity to benefit equally from the revenues. One member or student should not receive a larger benefit from fundraising than another. In addition, if a member or student chooses not to participate in the fundraiser, that person still **receives an equal benefit** from the revenues generated.

The Booster Club cannot require members or students to fund-raise or raise a certain amount. For example, a student's ability to attend a trip cannot be based on raising a certain amount of money. The Booster Club cannot use individual accounts to credit an individual for funds raised. If your Club is using individual accounts currently, discontinue this practice.

All fundraising, promotional activities, and or general solicitation for charitable contributions sponsored by PO/booster clubs require prior approval of the principal. A schedule should be submitted by October 1st annually. GE (Local).

The procedure for obtaining approval is:

1. There must be a specific purpose for the project and the amount of money to be raised.
2. The type of fundraising project shall be determined
3. The sponsoring organization shall submit a Fundraising Activity Application electronically, via Laserfishe, to the principal for approval
4. Once the principal approves to the project, a copy will be forwarded to the business office for review and approval

The PO/booster club should consider the sales tax implications of the fundraising activity. The following information outlines some sales tax considerations.

Sales Tax

I. Two (2) “One-Day, Tax-Free” Sales Days

POs/booster clubs with a [sales tax exemption](#) are entitled to two (2) “one-day, tax-free” sales or auctions per calendar year. One day is counted as 24 consecutive hours and a calendar year is the 12-month period from January through December. PO/booster clubs may designate the day on which the items are delivered by the vendor to the PO/booster club or the day on which the PO/booster club delivers the items to its customers.

When a PO/booster club raises funds by acting as a sales representative/agent for a for-profit retailer (i.e., catalog sale), the PO/booster club is not responsible for reporting and remitting sales tax. The PO/booster club is not considered to be the seller and **cannot** use a tax-free sale day for these types of sales. These types of sales **are taxable**; therefore, sales tax must be collected for items sold unless they are tax-exempt by law. For instance, gift wrap is taxable, but cookie dough is tax-exempt by law. In these cases, the PO/booster club receives a commission (percentage of the profit) for holding a book fair or for selling candy, candles, or similar items. The vendor is responsible for remitting the applicable sales tax to the Texas Comptroller’s Office. See the Texas Comptroller of Public Accounts Publication #94-183, School Fundraisers and Texas Sales Tax for additional information.

Below is a list of some items that are taxable and tax-exempt.

Taxable

- A. Auctions and Silent Auctions (Unless the item is tax-exempt by law)
- B. Calendars and Day Planners
- C. Candles
- D. Catalog Sales (Unless the item is tax-exempt by law)
- E. Clothing
- F. Flowers and Plants
- G. Gift Wrap Paper, Balloons, etc.
- H. Magazines - when sold individually
- I. Magazine Subscriptions sold for less than 6 months
- J. Pennants
- K. Garage Sales
- L. School Store Items
- M. Spirit Items
- N. Stationery
- O. Yard Signs

Tax-Exempt

- A. Advertisement Sales
- B. Admissions
- C. Discount/Entertainment Cards and Books
- D. Food sold as a fundraiser with proceeds to be used by the organization
- E. Magazine Subscriptions greater than 6 months
- F. Services - Car Wash, Cleaning
- G. Yearbooks – only if organization keeps publishing rights

II. Reporting Requirements

The Texas Comptroller's Office requires POs/booster clubs to file at least one sales tax report per calendar year. Sales tax reports may be due monthly, quarterly, semi-annually or annually, and the amount of anticipated sales tax payments affects the frequency of reporting.

The Texas Comptroller's Office will generally communicate changes in filing requirements to organizations with a Sales Tax Permit by mail.

A sales tax report **must** be filed even if your PO/booster club did not make any sales or all sales were nontaxable.

PO/booster clubs may elect to include tax in the price of taxable items. Including sales tax in the price to have even pricing (i.e. \$10.00 or \$10.50) is convenient, but organizations should use caution to avoid paying sales tax on sales tax. If the sales price of a taxable item includes sales tax, the following calculation can be used to determine appropriate sales tax. Total Sales Amount divided by (1.0 + Tax Rate) = Sales Amount Excluding Tax

EXAMPLE:

Total sales are \$1,000 including tax. Tax rate is 8.25% or .0825.

$\$1,000 \div 1.0825 = \923.79 Taxable Sales

$\$923.79 \times .0825 = \76.21 Sales Tax

$\$923.79 + \$76.21 = \$1,000.00$ Gross Amount Collected

Customers must be informed that sales tax is charged (i.e. a posted sign or a statement on a receipt indicating that tax is included in the price). Additional information regarding exemptions may be found on the [Texas Comptroller's website](#).

Scholarships

I. Scholarships administered directly by the PO/booster club

The IRS allows for scholarship programs to be set up by charitable organizations. The scholarship must meet the organization's purpose as stated on the organization's bylaws, and all scholarships must be awarded on an objective and nondiscriminatory basis. The group of applicants must be sufficiently broad as to be considered a charitable class. Family members of the organization's board members, scholarship selection committee and substantial contributors are disqualified from receiving scholarships from the organization.

Scholarship criteria must be clearly defined within the organization's bylaws, should not change annually, cannot require students or parents to fundraise or members of the parent organization. Scholarships cannot be limited to only members of the PO/booster club, and the number of scholarships and the amount to be awarded should be specified in the organization bylaws. The number of scholarships awarded annually should also be specified in the organization's bylaws.

An objective scholarship selection committee should be organized to review all applications submitted and select the recipient(s) and should be comprised of objective community members who do not have a personal interest in the parent organization or scholarship. The scholarship application should exclude the student's name, i.e. applications should be reviewed "blind". The scholarship check should be issued to the student's educational institution.

II. Scholarships administered by BEEF

The Belton Educational Enrichment Foundation (BEEF) may assist your organization in setting up a scholarship through the Foundation. The scholarship must be at least for \$1,000. The money and selection criteria must be submitted by December 31st. BEEF has a review and selection committee process in place. Please contact BEEF for additional information and forms. Contact information is located on the "Who to Call" list.

Memo



To: PO and Booster Clubs

From: Shad McGaha, Chief Technology Officer

Date: September 1, 2022

Re: Donations of Technology Equipment

Frequently POs and booster clubs want to make a contribution to the school's technology program. The district is appreciative of this generosity and overall support of the technology program.

If your donation is monetary, it is preferred that the funds be used to purchase equipment through the district's Purchasing department. The reasons for this approach are twofold; it allows you to take advantage of the excellent pricing we obtain through the district's contracts, and it allows us to install and support the same type of equipment used throughout the district.

If your donation is "in kind", meaning you have an opportunity to donate equipment, then please ensure the equipment meets the minimum specifications provided by the Technology Services Department (contact us at 254-215-2047). These required specifications ensure the equipment will operate in a safe and secure manner.

In either case, whether you donate money or equipment, please have your campus principal contact the Technology Services department, and we will be happy to coordinate your donation. We appreciate your support of the technology program.

Who to Call List

Title	Name	Phone Number	Email
Director of Finance/Business Services	Kerri Pridemore	254-215-2012	kerri.pridemore@bisd.net
Staff Accountant	Sharling Torres	254-215-2007	sharling.torresmartinez@bisd.net
Staff Accountant	Trese Miller	254-215-2145	trese.miller@bisd.net
Staff Accountant	Jackie Blankenship	254-215-2068	jackie.blankenship@bisd.net
Chief Technology Officer	Shad McGaha	254-215-2047	shad.mcgaha@bisd.net
Administrative Asst Technology	Teresa Lynch	254-215-2045	teresa.lynch@bisd.net
Director of Purchasing	Tammy Shannon	254-215-2176	tammy.shannon@bisd.net
Director of Facilities & Maintenance	David Bennett	254-215-2177	david.bennett@bisd.net
BEEF Scholarship Office		254-215-2024	