Webinar on Fund Raising for Homeschool Organizations
by Carol Topp, CPA
HomeschoolCPA.com

Fund Raising Ideas
see article "Easy Fundraisers for Homeschool Groups"
at http://homeschoolcpa.com/leader-tools/articles/

Easy Fund raisers	**Website**	**Food Fund raisers**
Box Tops	Amazon affiliate	Pizza Day
Shopping Rewards	Google Ads	Dinners
Scrip		Concession stands

Pitfalls to Avoid
Selling products. Usually poor profit margin and lots of work.
Selling to the public. Usually states require reporting; sometimes before selling.
Record keeping: Don't mix income and expenses. Record both.
Excess fund raising can put you into new IRS category (over $5,000/ yr or over $25,000/yr)

IRS and Fund Raising

Unrelated Business Income Tax(UBIT): Tax on profit from any activity not related to your purpose (education). Most fundraisers are not related to education and so profit is unrelated business income.

Exceptions to the UBIT tax:

- A $1,000 threshold. The first $1,000 in profit from an unrelated business will not be taxed.
- If the fundraiser (or unrelated business) is run by volunteer efforts (i.e., no paid staff) then the proceeds are not taxed.
- If the fundraiser is not regularly carried on, such as a once-a-year spaghetti supper, then the proceeds are not subject to UBIT.
- If you are selling donated items, like in a garage sale, the income raised is not taxed.

No inurement (private benefit) (see http://homeschoolcpa.com/what-does-the-irs-mean-by-not-allowing-private-benefit-in-a-fund-raiser/)

Income from fund raising cannot be "earmarked" for an individual or family. No individual accounts! The fund raising revenues should be spent on the *group* activities.

> IRS: "Inurement is likely to arise where the financial benefit represents a transfer of the organization's financial resources to an individual solely by virtue of the individual's relationship with the organization, and without regard to the accomplishment of exempt purposes."
>
> **Translation from IRS-ese to plain English:** Inurement is when a group transfers some of its money to specific individuals. The individuals benefit just because they are members of the group and not because it represents the purpose of the organization.

In other words, a homeless person can benefit by receiving a meal from a charity whose purpose is to feed the poor. A family cannot fund their own child's educational activities just because they are a member of a parent booster club or a homeschool group. The benefit is supposed to be to the group (or a class of people, i.e., the homeless) for its tax-exempt purpose, not to specific individuals.

A gymnastics booster club was sharing it earnings with specific individuals. The IRS defines that as inurement or private benefit. Inurement is a serious issue in the eyes of the IRS and an organization can lose its tax exempt status for benefiting a specific individual with money meant for the group.

Story of KY Booster Clubs (see: http://homeschoolcpa.com/the-irs-and-fund-raising/)

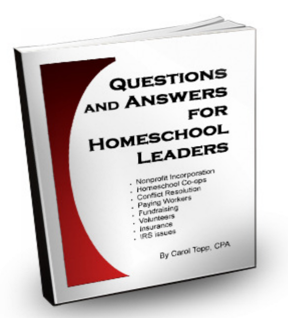
Several booster clubs in KY were audited by the IRS and were fined for their fund raising practices. The booster clubs were giving parents credit for their fund raising efforts. Like a lot of organizations, the parents worked at concessions stands, car washes, candy sales and bingo games. The booster club awarded parents monetary credit for working the fundraisers. The IRS fined one organization $61,000! The group is even facing losing 501c3 tax exempt status.

It is a common practice among parent booster clubs to set up individual accounts and split the fund raising proceeds among the parents that participated in the fund raising effort. If Johnny sold the most candy, he gets the largest share of the fund raising proceeds in his account. The IRS is concerned about inurement and private benefits. They expect to see the entire group of students benefit from fund raisers, not individuals.

Lois G. Lerner, Director of Exempt Organizations for the IRS, explained in a letter to the booster clubs that any booster club that raises money to benefit an individual student rather than a group is in violation of federal law and stands to lose its tax-exempt status. **Lerner said the practice was against federal law**.

> "The requirement that each parent/member of the club must participate in the fund-raising activities in direct proportion to the benefits they expect to receive toward their children's expenses directly benefits specific individuals and the parents instead of the class of children as a whole," she wrote.

My advice: If your organization is sharing, dividing or distributing fund raising proceeds to individuals or families, stop the practice and leave all fund raising proceeds in the general fund to benefit the group at large.



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