

# BEYOND BASICS FOR TREASURERS

Karen Beebe  
Utah PTA Treasurer

# IRS 501c3 Exemption

- ❖ The IRS issues a “determination letter” or ruling to organizations that have qualified for tax-exempt status under IRS Code Section 501(c)(3).
- ❖ Utah PTA has secured the 501(c)(3) exemption ruling from the IRS and is the central (umbrella) organization for all local units under its group exemption ruling.
- ❖ Utah PTA can provide a letter about its group exemption ruling and a copy of its determination letter from the IRS for potential donors. Contact the Utah PTA Treasurer if you need a letter for your PTA.

# IRS 501c3 Exemption - Important Numbers Per IRS Code

- ❖ Nonprofit organizations are limited to spending an insignificant amount of money and time on lobbying efforts. Per the IRS definition, no more than 20% of annual expenditures and volunteer hours may be spent on lobbying.
- ❖ Any nonprofit organization earning \$1,000 or more in what is considered as Unrelated Business Income must file a tax form to report this income to the IRS. This could create a situation where the PTA unit incurs tax on this income.

# IRS 501c3 Exemption - Important Numbers Per IRS Code

## Hospitality (5% Rule)

- ❖ Hospitality expenses are defined as funds spent on meals, snacks, drinks, related supplies, and lodging.
- ❖ To be a legitimate expense of a nonprofit organization these expenditures must be ordinary and necessary and cannot be lavish or excessive.
- ❖ Hospitality expenses specifically related to board members or volunteers must be limited to a **nominal** amount (5%) of total *actual* expenditures.
- ❖ Hospitality expenses related to PTA programs and events are not subject to this restriction.

# IRS 501c3 Exemption - Important Numbers Per IRS Code

## Teacher Support (20% Rule)

- ❖ A PTA should spend a majority of its budget on direct expenses that benefit children.
- ❖ Spending money to appreciate and support teachers IS within the realm of the PTA mission; however, it would be considered an INDIRECT expense.
- ❖ Per the IRS, only an **insignificant** amount (20%) of *actual* expenditures can be spent on expenses not considered directly related to the organization's charitable mission.
- ❖ This includes teacher appreciation and teacher support expenditures as well as general and administration expenditures (bank fees, merchant fees, office expenses, etc.), but not the training of PTA leaders as this would be considered a direct mission expense.
- ❖ This does not apply to Teacher Grants that directly support students.
- ❖ **The 5% Hospitality amount is part of the overall insignificant (20%) amount.**

# IRS Form W-9

## Federal Form W-9: Request for Taxpayer Identification Number and Certification

- ❖ Someone who is giving money to your PTA may ask for a completed W-9.
- ❖ This is okay! It is simply a form that is used to verify the PTA name, address, and EIN.
- ❖ Many larger companies and school districts require it for their accounting systems.
- ❖ Instructions of exactly what to fill out can be found in the Treasurer Handbook and at [utahpta.org/treasurer](http://utahpta.org/treasurer)

# Fundraising Policies

- ❖ PTAs do not exist to raise money - but raise money to exist.
- ❖ Fundraising is NOT a primary function of PTA.
- ❖ Follow school district policies and get principal approval for all fundraising activities.
- ❖ Provide a safe environment for students.
- ❖ No Door-to-Door selling!
- ❖ Be mindful of rewards that exclude students.
- ❖ Focus on school-wide goals and rewards.
- ❖ Some fundraisers will incur fees - explore all options.

# Fundraising Issues

- ❖ PTAs are often asked to finance programs and make purchases for the school.
- ❖ Before approving such proposals and including it in the annual budget, a PTA should consider:
  - ✓ Is this proposal the public's responsibility through tax assessment?
  - ✓ Is it something that the district provides? (textbooks, technology, playground equipment, classroom materials, etc.)
  - ✓ If so, PTA should not provide funds for these requests.
- ❖ PTAs should not contribute to the inequities within a school district by excessive funding.

# Other Income Options

- ❖ Passive Fundraisers: Spirit Nights, Shop to Give, etc.
- ❖ Corporate Sponsorships
- ❖ Donations
- ❖ Donor-Advised Funds:
  - ✓ Benevity Causes, Fidelity Charitable Gift Funds, Your Cause, etc.
  - ✓ Other DAF/Employee Funds: Adobe Employee Company Giving, Kohl's Cares Program, United Way Employee Giving, Vanguard Charitable, Walmart Foundation, etc.
  - ✓ Contact the Utah PTA Treasurer if you are receiving DAF, as the donation must flow through Utah PTA.

# Substantiation and Disclosure Requirements

## Acknowledging Donors or Sponsors:

- ❖ As a 501(c)(3) exempt organization, contributions made to Utah PTA or its local units may be treated as tax deductible for income-tax purposes.
- ❖ A PTA unit must issue a written acknowledgement for any single contribution of \$250 or more and for any amount upon request.
- ❖ Samples of acknowledgement letters and templates may be found in the Treasurers Tools section of the Utah PTA website.
- ❖ Be sure to indicate if any goods or services were received for the donation, such as the value of an item purchased in a silent auction.

# Raffles versus Drawings

- ❖ Under Utah law, it is illegal to operate a scheme under which a person GIVES something of value in order to obtain a chance to GET something of value.
- ❖ A raffle, which requires the purchase of a ticket (or allows the purchase of additional tickets to increase the odds of winning), is illegal in Utah, even for charitable purposes.
- ❖ A drawing allows everyone in attendance an equal opportunity to win a prize with no monetary purchase required; therefore, it is legal to conduct a drawing.

# Game of Chance: Is it allowed?

- ❖ **YES:** A PTA can charge a fee for an event and give everyone in attendance a ticket for a drawing to win a door prize. The entrance fee is not directly associated with the ticket and everyone in attendance has an equal chance to win.
- ❖ **NO:** Holding a drawing where donors are given different amounts of tickets based on their level of donation.
- ❖ **YES:** Silent and live auctions are also not considered as games of chance but rather a negotiation for the purchase of products or services.
- ❖ **YES (sort of):** A drawing of PTA membership for a door prize at Back to School Night.

# PTA Funds versus School Funds - Commingling

- ❖ All PTA monies belong to the association and decisions about disbursement of PTA funds must be approved by the general membership.
- ❖ PTA monies must NEVER be commingled with the funds of any individual, the school, or any other organization.
- ❖ The PTA must not allow school or other funds to “flow through” its checking account.
- ❖ Due to the inability to separate funds before depositing to the PTA bank account, joint fundraisers between the PTA and the school (or any other organization) is not allowed.

# PTA Funds versus School Funds - Commingling

It is the treasurer's responsibility to never allow the deposit of any non-PTA funds into the PTA account and must never allow the deposit of PTA funds into a non-PTA account.

- ❖ This applies to the school's accounts. School funds are public money and PTA funds are private money. We must never commingle.
- ❖ This also applies to an individual accepting Venmo payments in his/her personal Venmo account and then paying the PTA for the amounts collected.

# PTA Funds versus School Funds - What can PTA pay for?

- ❖ PTAs should raise funds to support PTA sponsored events and programs.
- ❖ PTAs should not spend its funds on supplies and equipment that the school district should be paying for.
- ❖ PTAs should not spend its funds on school clubs, teams, or small groups of students.
- ❖ PTA funds should be spent for the benefit of ALL CHILDREN.

# PTA Funds versus School Funds - Education Foundations

- ❖ School District Foundations are the fundraising arm of schools, not PTA units.
- ❖ If the PTA identifies a substantial need at its school that will take considerable funds to implement, it should coordinate with the school district foundation through the grant or direct donation process.
  - ✓ Matching funds are sometimes available.
  - ✓ It is best to have all donations made directly to the Education Foundation.

# PTA Funds - Remember...

- ❖ There is no exact list of what PTA can, should, or must pay for.
- ❖ PTA funds should always be used to further PTA's Mission and Purpose of EVERY CHILD.
- ❖ PTAs should fund PTA programs and be careful not to become the slush fund of the school.
- ❖ A PTA does NOT raise money to be diverted into other channels, such as providing support to other organizations or individuals, no matter how worthy the cause.
- ❖ PTAs cannot set up Go Fund Me campaigns for those in need. This is against the mission of PTA.

# Grant Agreements - School

- ❖ For large purchases or purchases with possible future liability, PTAs should grant funds through the district's Education Foundation.
- ❖ For other monies budgeted for the school, the PTA should utilize an internal Financial Grant Agreement form found on the Utah PTA website.
  - ✓ Grants may be paid through direct payment to a vendor on behalf of the school or reimbursement of expenses paid by the school.
  - ✓ Granted money may also be issued upfront to the school; however, the school **MUST** provide receipts to reconcile and close the grant.

# Grant Agreements - School

Financial Grant Agreement process for upfront funding:

- ❖ A School Grant Agreement form is completed and signed by all parties.
- ❖ The PTA grants a monetary amount to the school.
- ❖ The grant is given for a specific purpose and can only be used for that purpose.
- ❖ The school must provide receipts and an accounting of how the funds were spent.
- ❖ Any unused funds must be returned to the PTA before June 30<sup>th</sup>, no exceptions.

# Grant Agreements - Teacher

- ❖ PTAs may also award grants to teachers using the Teacher Grant Agreement form found on the Utah PTA website.
- ❖ A clear application process must be followed; it is not acceptable to just give every teacher a stipend.
- ❖ Teacher grants must not be used for supplies the district provides.
- ❖ Proper implementation of the Teacher Grant process protects the teacher from taxability of funds received.
- ❖ The process is similar to the School Grant process - the PTA may pay a vendor directly, reimburse the teacher, or provide upfront funds that require receipts and reconciliation at the close of the grant.
- ❖ Something to consider: Teachers become the owners of items purchased through a Teacher Grant; when a teacher leaves a school, so does the item.

# Sales Tax Issues – Book Fairs

- ❖ Book Fair companies are “3rd party sales” companies.
- ❖ PTA must charge sales tax to customers.
- ❖ PTA remits all monies collected, including sales tax, on behalf of the book fair company.
- ❖ The book fair company pays the amounts of sales tax collected to the Utah State Tax Commission.
- ❖ PTAs can NOT request a refund of sales tax remitted on their year-end refund request, as these transactions are not exempt from sales tax.
- ❖ The school can use their sales tax-exempt number to purchase books from the book fair company. This is the ONLY tax-exempt transaction allowed.

# Payment For Services - Issuing 1099s

- ❖ PTAs may be required to file a Form 1099-NEC or a Form 1099-MISC with the IRS if they pay \$2,000 or more during the CALENDAR year to any unincorporated business or individual for services.
- ❖ PTAs may be required to file form 1099-MISC for prizes and awards given to individuals in excess of \$600.
- ❖ Local PTA units must not enter into an employer/employee relationship due to the many issues that encompass employment law and payroll tax filings.
- ❖ Under no circumstance, can a PTA assist with the wage or salary of a school district employee.
- ❖ Paying individuals:
  - ✓ Board Members and/or volunteers may NEVER receive compensation for their time, no matter how many hours they spend performing the work of PTA.
  - ✓ Exceptions may be made for those that are “in the business.”

# Volunteer Reimbursement Issues

- ❖ Volunteers may NOT be “reimbursed” for their time. This would negate their role as volunteer and turn them into an employee/contractor.
- ❖ Receipts are required for reimbursement.
- ❖ Itemized receipts are required. A credit card charge slip with the total only or an Amazon email without item detail is not acceptable.
- ❖ What happens if a receipt is lost?
  - ✓ A one-time reimbursement can be allowed upon Executive Committee approval.
  - ✓ A written (email) report of what was purchased and a credit card/bank account statement provided to show the total charge.
  - ✓ Do not calculate the sales tax paid and request reimbursement.

# Volunteer Reimbursement Issues - Food Stamps Policy

- ❖ PTAs cannot reimburse anyone who has purchased PTA supplies with government-issued or non-personal funds like Food Stamps or SNAP Funds - not even as a one-time courtesy.
- ❖ All receipts should be reviewed for these payment methods: EBT-FS, Food Stamps, or EBT SNAP.
- ❖ Reimbursement of these purchases would be committing Food Stamp fraud.

# Gift Card Issues

- ❖ Potential problems with gift card use include loss of accountability and turning volunteers into employees.
- ❖ Loss of accountability: The purchase of gift cards with the intention of giving them as prizes or awards lacks documentation and increases the risk of fraud.
- ❖ Turning volunteers into employees: Giving gift cards as a thank you for volunteer service could be deemed as wages by the IRS.

# Gift Card Policy

**The Utah PTA Gift Card Policy helps to avoid issues:**

- ❖ Confirmation of Receipt Form found on the Utah PTA website:
  - ✓ Used for the disbursement of gift cards.
  - ✓ All recipients must sign for the receipt of the gift card.
  - ✓ The sign-out sheet should be attached to the check request form where the gift cards were purchased.
- ❖ Only give gift cards with a nominal value (\$25 or less) as an overall annual thank-you to volunteers or as gifts to teachers.
- ❖ Do not give gift cards as a thank you at events. This ensures that it would not be considered as an amount per hour of service.

# Post-secondary Scholarship Guidelines

Utah PTA STRONGLY DISCOURAGES awarding scholarships as the benefiting of one student/a few students is not within the mission of PTA.

- ❖ The PTSA unit must have its Scholarship Program as an approved policy clearly defined in its Standing Rules.
- ❖ Scholarships are for graduating seniors only.
- ❖ The scholarship program must be widely advertised to the entire school community, but awardees must be PTSA members before applying.
- ❖ Scholarship criteria should be based on the merit of the student, not the parent's involvement in PTA.
- ❖ PTSA General Fund versus Sponsorship Fund
- ❖ PTSAs may not assess a fee to or accept donations from their feeder school PTSAs to fund the scholarship program.
- ❖ Funds must be issued to the post-secondary school of attendance or into a my529 account by June 30th; NEVER paid directly to the student.

# High-risk Activity Guidelines

- ❖ Bounce houses and other high-risk activities expose the PTA and its officers to significant liability and potential lawsuits.
- ❖ Per the Utah Office of State Risk Management, Utah school districts cannot cover or provide additional insurance for PTA-sponsored events, especially those with high-risk activities.
- ❖ Utah PTA **STRONGLY DISCOURAGES** the use of bounce houses and other high-risk activities at all PTA events.

# High-risk Activity Guidelines

Any PTA that chooses to move forward with high-risk activities **MUST** comply with the following required guidelines:

- ❖ School District Approval – some districts will not allow high-risk activities
- ❖ Equipment Ownership – PTAs may not purchase equipment
- ❖ Equipment Rental – PTAs may not rent and manage equipment
- ❖ Use of Licensed and Insured Vendors is required
- ❖ Equipment Supervision – equipment must be set up and managed by the vendor, never PTA volunteers
- ❖ Vendor Insurance Requirements - \$1M/\$3M
- ❖ PTA General Liability Insurance Coverage - \$1M/\$2M (Utah PTA requires) or \$1M/\$3M (some school districts require)
- ❖ PTA Directors and Officers (D&O) Insurance is required

# eCommerce Policy

- ❖ Pre-funded spending cards allow a PTA to provide board members with the option to pay for items directly from the PTA.
- ❖ This alleviates the need for board members to personally pay for items upfront, then wait for a reimbursement check.
- ❖ Traditional debit and credit cards are still **NOT** allowed.
- ❖ MACU offers Express Debit Cards for free, other platforms charge a fee.
- ❖ More information can be found on page 41 of the Utah PTA Treasurer Handbook or on the Utah PTA website.
- ❖ A recorded eCommerce Policy training is available at [utahpta.org](http://utahpta.org) under PTA University.

# NO Venmo

**Venmo or any other Peer-to-Peer payment platform (such as Zelle, Cash App, etc.) are NOT approved platforms for PTAs.**

- ❖ These platforms do not provide proper reporting for businesses.
- ❖ While Venmo allows small businesses and nonprofit organizations to use their platform (for a fee), it is still not approved by Utah PTA and is not recommended by NPTA
- ❖ The nonprofit Venmo option must be linked to an individual's Venmo account through a cell phone number.
- ❖ The Venmo user agreement requires the bank account be owned by the user.
- ❖ PTA officers are authorized signers, not owners.
- ❖ PTAs using Venmo are in violation of the user agreement and are doing so fraudulently.
- ❖ Venmo could freeze the account or retract funds deposited if the account is used fraudulently.

Questions?  
[karen@utahpta.org](mailto:karen@utahpta.org)  
801.419.3271

Karen Beebe  
Utah PTA Treasurer



# Connect with us on social media



FACEBOOK

- Utah PTA
- Utah PTA Advocacy
- Utah PTA Super Secondary
- Utah PTA Excellent Elementary
- Utah PTA Treasurers
- Utah PTA Reflections
- Utah School Community Councils
- Utah PTA Teachers
- Utah PTA Battle of the Bands

# Connect with us on social media

INSTAGRAM - @UtahPTA



X - @UtahPTAOneVoice



PINTEREST - Utah PTA



YOUTUBE - Utah PTA One Voice



# UTAH PTA SPONSORS

