Conroe ISD 990 Tax Seminar - 2026

Parent Organizations
Tax Filing Requirements

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TAKE-AWAY #1

FILE

RETURNS

ON TIME !!!

TAKE-AWAY #2

ASK FOR HELP…

»CONROE ISD STAFF

»CALL OR EMAIL ME

TAKE-AWAY #3

FOLLOW CISD GUIDELINES

THESE GUIDELINES CAN PROTECT YOU!

TAKE-AWAY #4

WWW.IRS.GOV/

CHARITIES-AND-NONPROFITS

IS YOUR FRIEND

CONROE INDEPENDENT SCHOOL DISTRICT

Conroe ISD affiliated school-support or booster organizations shall organize and function in a way that is consistent with the District's philosophy and objectives, within adopted Board policies, in accordance with applicable UIL guidelines, and financial and audit regulations.

CONROE ISD
CONTACT INFORMATION

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PRESENTATION OVERVIEW

- CORPORATE ORGANIZATION
- OPERATIONS REQUIREMENTS AND BEST PRACTICES
- FEDERAL TAX-EXEMPT STATUS
- FEDERAL FILING REQUIREMENTS
- TEXAS SALES TAX AND EXEMPT STATUS

DEFINITIONS

- **CALENDAR YEAR – JANUARY 1 TO DECEMBER 31**
- **FISCAL YEAR – A YEAR THAT DOES NOT END ON DECEMBER 31**
- **IRS TAX YEAR – THE RETURN YEAR OF FILING IS BASED ON THE YEAR THE FISCAL COMMENCES**
- **EMPLOYER IDENTIFICATION NUMBER (EIN) – IDENTIFICATION NUMBER FOR FEDERAL TAX SERVICES**

DEFINITIONS

- **EMPLOYER IDENTIFICATION NUMBER (EIN)**
  IDENTIFICATION NUMBER FOR FEDERAL TAX SERVICES – 9 DIGITS
- **TEXAS STATE TAX NUMBER**
  IDENTIFICATION NUMBER FOR STATE TAX – SALES TAX - 11 DIGITS

EACH NONPROFIT WILL HAVE ITS OWN EIN AND STATE NUMBER.

DO NOT USE THE CONROE ISD EIN OR STATE NUMBERS!

DEFINITIONS

- **TAX EXEMPT ORGANIZATION –** LEGAL ENTITY RECOGNIZED BY THE IRS AS EXEMPT FROM PAYING MOST FEDERAL INCOME TAXES DIRECTLY RELATED TO ITS PRIMARY NON-COMMERCIAL MISSION.
  - **501(C)(3) – MOST COMMON TYPE** – ORGANIZED EXCLUSIVELY FOR RELIGIOUS, CHARITABLE, SCIENTIFIC, TESTING FOR PUBLIC SAFETY, LITERARY, EDUCATIONAL, OR OTHER SPECIFIED PURPOSES.
  - 501(C)(4) – SOCIAL WELFARE ORGANIZATIONS – CIVIC IMPROVEMENT, SOCIAL WELFARE AND ADVOCACY – DONATIONS ARE NOT TAX DEDUCTIBLE.

DEFINITIONS

- **TAX EXEMPT ORGANIZATION**
  - 501(C)(5) – LABOR, AGRICULTURAL, OR HORTICULTURAL
  - 501(C)(6) – BUSINESS LEAGUES, TRADE ASSOCIATIONS, AND CHAMBER OF COMMERCE
  - 501(C)(7) – SOCIAL AND RECREATIONAL CLUBS – GOLF CLUBS
  - 501(C)(10) – DOMESTIC FRATERNAL SOCIETIES
  - 501(C)(13) – CEMETERY COMPANIES
  - 501(C)(14) – CREDIT UNIONS
  - 501(C)(15) – MUTUAL INSURANCE COMPANIES
  - 501(C)(19) – VETERANS ORGANIZATIONS – FOR VETERANS, BY VETERANS.

PLUS, ANOTHER 20ISH TYPES OF TAX EXEMPTS

- **1.9 Million Tax-exempt Organizations in the United States (130,000 in Texas).**
- **1.5 Million are 501(c)(3) organizations.**
- **225,000 Fast Food Establishments in the United States.**

CORPORATE ORGANIZATION

CORPORATION

- Limited Liability
- Management – Directors and Officers
- Governing Documents
    1. Articles of Incorporation
    2. By-laws
- Status as a Separate Entity - Continuity
- Tax Filing Requirements

ARTICLES OF INCORPORATION

- Filed with Texas Secretary of State
- Two Choices

1. **Conroe ISD Group Exemption** – CISD requires use of CISD Certificate of Formation/Articles of Incorporation – RECOMMENDED
   - **Available in the Conroe ISD Internal Audit Department**
   - Submit two copies of the signed Form 202 along with a $25 filing fee
2. Completion of Form 202 – Certificate of Formation –

   If you use this form – you will need to file your own Form 1023 (NOT RECOMMENDED)
   - Available at: http://www.sos.state.tx.us/corp/forms_boc.shtml

ORGANIZATION

- **BY-LAWS**
  - Rules of Membership
  - Purpose of Organization
  - Fiscal Year
  - Organization Structure
  - Methods of Officer Election
  - Operating Procedures (Expenditures, meetings, etc.)
  - Procedure for Disbanding

CONROE ISD GROUP EXEMPTION

- CISD Educational Support Groups, Inc. is a 501(c)(3) tax exempt organization.
- CISD Parent Organizations/Booster Clubs may obtain their tax exemption by becoming part of the group.
- **Conroe ISD will assist –**
  - Provide templates of articles of incorporation for filing with the State of Texas.
  - Provide templates of by-laws.
  - Apply for Sales and Use Tax and Franchise Tax Exemption

EMPLOYER IDENTIFICATION NUMBER

- Complete Application for Federal Employer Identification Number, Form SS-4 – online (IRS preferred method), fax, mail
- Required even if no employees
- Number is used for federal tax returns
- Number is used to open bank accounts
- Equivalent to Social Security Number for individuals
- **Do not use CISD Support Group EIN!**

When to File – Form 1023

- If filed within 27 months of date of formation, an approved application will be effective from date of organization.
- If not filed within 27 months of date of formation, an approved application will be effective on date of receipt by IRS.
- If not approved from formation, organization may be liable for income taxes and donations received not tax deductible by contributor.

FORM 1023 EZ

- Streamlined Application Process
- 3 Page Form (Form 1023 is 26 pages)
- Applies for Some Organizations
  - Annual Gross Receipts less than $50,000 for any of the next 3 years
  - Total Assets less than $250,000
  - Not Applicable to Churches, Schools, Hospitals, Colleges, Nonprofits organized as LLC
- Attest to Representations
- User Fee is $275 ($600 for Form 1023)
- Reinstatement After Automatic Revocation (within 15 months of revocation)

Operations Requirements and Best Practices

CISD FINANCIAL CHECKLIST

- Update Authorized Signers
- Update List of Officers
- Annual Financial Report – “audit” report
- Proof of Filing Form 990, 990EZ, or 990N
- Due Date Checklist

FINANCIAL INFORMATION

- Checking Account
- P.O. Box
- Financial Statements
- Budget – Financial Plan
- Financial Statements due to District office by September 1st of each year.

RECOMMENDATION – PREPARE AS PART OF BOARD TRANSITION

- GASB 39 Requires the District to obtain and review financial performance information of supporting organizations to determine whether these organizations should be considered a component unit of the District.

INTERNAL CONTROLS

- Two Signatures on Checks
  - Must be Members of the Organization.
  - Cannot be School District Employees.
- Separation of Accounting Functions
  - Signing Checks
  - Bank Reconciliation
  - President should review monthly bank statement and the Treasurer can then reconcile. If the President is a CISD employee, another officer should handle this responsibility.
- Treasurer should present monthly financial report to the organization's board for review.
- Internal "Audit/Review" Committee or Outside Review

Organizational Email Accounts

- Set up organizational email accounts instead of personal email accounts.
- Accounts will pass on to the next officer.
- Maintains organizational history.
- One officer should maintain passwords.

FEDERAL TAX EXEMPT STATUS

NON-PROFIT CORPORATION

- No part of the income can be distributed to members, directors, or officers of the corporation.
- Potential for reduced individual liability from incorporation (should obtain legal advice regarding legal liability and insurance protection)

TAX BENEFITS

- Revenues raised by the organization are generally not taxable.
- Contributions and Grants to the organization (501(c)(3)) are tax deductible by the contributor.
- Can qualify for sales and franchise tax exemptions from the State of Texas. Must apply for exemption – not automatic and will be lost if Federal exemption status is lost.

Must have own sales tax permit number, cannot use CISD number!

NON-PROFIT ORGANIZATIONS
PROHIBITED OR RESTRICTED ACTIVITIES

- Absolutely prohibited from directly or indirectly participating in any political campaign, on behalf (or in opposition to) a candidate for elective public office.
- May not attempt to influence legislation (commonly known as lobbying).
- Not engage in activities that are illegal or violate fundamental public policy.
- Not be organized or operated for the primary purpose of conducting a trade or business that is not related to your exempt purpose.

PROHIBITED OR RESTRICTED ACTIVITIES

Ensure your net earnings, or assets, do not unreasonably benefit any of your board members, trustees, officers, key management employees, or other insiders.

PRIVATE INUREMENT

- Private Inurement Occurs
  - If the people who control the organization, including officers and directors – called "Insiders" in IRS language – receive direct financial benefit from their relationship to the organization

    Charities must operate for a public purpose and not provide direct financial benefit to the officers and directors.
- Result
  - If a booster club holds a number of fundraisers and then divides the funds between the people who raised the money, the IRS would likely find the booster club is engaging in illegal private inurement activity, and
    - Revoke nonprofit status
    - Potential taxable income to recipient

PRIVATE BENEFIT

- Private Benefit Activity is
  - Any activity that benefits private individuals rather than the broad public purpose of the organization.
  - Similar to Private Inurement but can be found in ANY individual benefits.
  - A limited amount – or insubstantial amount in IRS language, of private benefit activity is tolerated.

IRS EXAMPLE: PRIVATE GYMNAST CLUB

- **Booster Club did not qualify as a public charity**
  - ALL parents were required to be members of the club and pay initial dues and annual dues.
  - All parents and gymnasts were required to participate in fundraising activities or pay fees in order to participate (work and pay or don't play rule)
  - Point system used to credit members for the amount of funds they each raised.
  - Booster club related to a for-profit gym.
  - Gym owners had voting rights on the booster club's board.

IRS EXAMPLE: CLUB B

- **Qualified for tax-exemption, when**
  - Parents encouraged but NOT required to be members of the club.
  - ALL selected competition team athletes were allowed to participate regardless of parent participation in fundraising.
  - Private gym owners did not serve as voting members of the board of directors.

Parent Support Groups Related to Public Schools

- **IRS notes:**
  - LESS SUSPECT for private inurement or private benefit
    - Participants in the programs are selected on the objective and nondiscriminatory criteria set by the schools.
    - Element of public control removes much of the discretion evident in private booster clubs

TAX EXEMPT STATUS
DO'S AND DON'TS

- Activities must benefit the group as a whole instead of benefiting individual members of the group.
- Cannot use individual accounts to benefit only certain individuals with revenues raised.
- Cannot require that a certain amount be raised or sold per person.
- Cannot require a person to participate in fundraising. Can have certain criteria met for member to receive benefit – attendance at meetings, events, etc. but not fundraising.
- Benefits reduction must not affect student, only parent member – not voting rights, no eligibility for officer election.

SCHOLARSHIPS

Generally, distributions to individuals may advance educational purposes if selection is made:

- Objective and non-discriminatory basis.
- Based on need and/or merit.
- To a charitable class in terms of being available to an open-ended group, rather than to pre-selected individuals.
- Criteria cannot be:
  - parent's participation or donations to the organization,
  - number of hours devoted to fund raising, or
  - amount of dollars raised by the parent or applicant in regards to fund raising.
  - Discriminatory, based on race, national origin, sex.

ENSURE UNBIASED SELECTIONS

Scholarship Guidelines Available on CISD Website

FEDERAL FILING REQUIREMENTS

IRS Forms and Filings

- Annual Tax Return

  (Form 990N (E-postcard), Form 990-EZ, Form 990)

- Form W-9 (information for filing Form 1099)
- Form 1099 (independent contractors and prizes)
- Donation Receipts (donations over $250)
- Form 8282, 8283 (property donations)

FORM 990 – RETURN OF ORGANIZATION EXEMPT FROM INCOME TAX

- Filing of 990, 990-EZ or e-Postcard ensures that the IRS and potential donors have current information about the organization.
- Due 4 ½ months after year end (May 15th if using calendar year; October 15th if using a May 31st year end)
- File Form 8868 for an **automatic 6-month extension of time to file** – applies to filing of Forms 990 and 990-EZ
- 990-N Postcard cannot be extended - due to its simplicity, it should be filed on-time.
- Subject to Substantial Penalties for Late Filing
- Other Schedules (A, B, D, G, etc.) may be required (Forms 990 and 990-EZ)

FAILURE TO FILE

- For annual tax periods beginning after 2006, the law requires most tax-exempt organizations to file an annual Form 990 or Form 990-EZ with the IRS or submit Form 990N e-postcard to the IRS.

Failure to file for three consecutive years – **automatic loss of tax-exempt status**

- Re-apply for exemption or become a taxable entity.
- Penalties for late filing.

ERRONEOUS REVOCATION

- The IRS has procedures in place to assist organizations that believe they have been erroneously listed as auto-revoked.
- This includes situations where an organization has documentation that it met its filing requirement for one or more years during the three-consecutive-year period.
- An organization can fax us the relevant information (an IRS receipt for a filed return, for example) to 855-247-6123 to resolve the issue.

990-N E-POSTCARD

Annual Filing Requirement

- Website - https://sa.www4.irs.gov/epostcard/
- Filing individual must have an "ID.Me" account.
- NO paper form to file.
- Applies if gross receipts are $50,000 or less.
- Cannot file until after end of tax year.
- Filing e-Postcard is free.
- IRS will notify of acceptance or rejection of filing.

GROSS RECEIPTS TEST

- GROSS RECEIPTS – the TOTAL amount the organization received from all sources during its annual year, WITHOUT subtracting any costs or expenses.
  - Inventory – gross amount before subtracting cost of inventory sold.
  - Fundraising – gross amount before subtracting cost of fundraising.

GROSS RECEIPTS TEST

$50,000 Gross Receipts Test

An organization's gross receipts are normally $50,000 or less, if the organization –

1. Three years old or more
2. Averaged $50,000 or less in gross receipts for the immediately preceding 3 tax years

$5,000 Gross Receipts Test

An organization's gross receipts are normally $5,000 or less, if the organization –

1. Three years old or more
2. Averaged $5,000 or less in gross receipts for the immediately preceding 3 tax years

For both tests – different rules are used to test gross receipts for organizations less than 3 years old.

FORM 990-N ELECTRONIC NOTICE (E-POSTCARD)

- Failure to File on time – IRS will send you a reminder notice.
- No penalty assessed – (Form 990-N only).
- **Failure for three years – AUTOMATIC LOSS OF TAX-EXEMPT STATUS**
- File prior year return (Form 990-N) through IRS.gov.
- Filing required while application is pending.
- https://www.irs.gov/charities-non-profits/annual-electronic-filing-requirement-for-small-exempt-organizations-form-990-n-e-postcard

FORM 990-N ELECTRONIC NOTICE (E-POSTCARD)

Completing the e-Postcard requires the eight items listed below:

1. Employer Identification Number (EIN), also known as a Taxpayer Identification Number (TIN).
2. Tax Year.
3. Legal name and mailing address.
4. Any other names the organization uses.
5. Name and address of a principal officer.
6. Web site address, if the organization has one.
7. Confirmation that the organization's annual gross receipts are $50,000 or less.
8. If applicable, a statement that the organization has terminated or is terminating (going out of business).

E-FILE REQUIREMENTS

Forms 990 and 990-EZ
E-filing is Required

FORM 990-EZ

- Gross receipts less than $200,000

and

- Total assets less than $500,000

FORM 990-EZ

Information Requested

- Organization information.
- Income, expenses, assets, and fund balance.
- Description of program services and expenditures for each.
- List of officers (including compensation, if any).
- Significant program changes, if any.
- Changes in organization documents and/or rules.

FORM 990-EZ AND 990, SCHEDULE A

- **REQUIRED FORM, <u>incomplete filing if not filed with 990 or 990-EZ</u>**
- Calculations prove public support of a nonprofit.
- Based on current year and prior four years of receipts.
- Completion required during organization's first 4 years but public support test does not apply until the 5th year.

Public Support is required to maintain public charity status.

FORM 990-EZ AND 990, SCHEDULE B

- Reports contributions, of any one donor during the fiscal year, the greater of:
  - $5,000 or
  - 2% of the amount on line 1 of Form 990-EZ
- To determine if a contribution of $5,000 or more from any one contributor – add all direct and indirect gifts, grants or contributions of $1,000 or more in cash or property made by the contributor during the year.
- Contributors include – individuals, partnerships, corporations, fiduciaries, exempt organizations, including government units.

FORM 990-EZ AND 990, SCHEDULE G

- Supplemental Information Regarding Fundraising or Gaming Activities.
- Complete if reporting more than $15,000 of fundraising event contributions.
- List events with gross receipts greater than $5,000.
- List expenses by category:
  - Prizes
  - Rent
  - Food/drink
  - Entertainment
  - Other

FORM 990

- Gross receipts greater than or equal to $200,000.
- Total assets are greater than or equal to $500,000.
- All information required on Form 990 - EZ, plus, many additional detailed questions.
- 12 Page Return, plus additional schedules.

Change of Address or Responsible Party

- Taxpayers must use Form 8822-B to notify the IRS of:
  - a change of address, or
  - the identity of a responsible party.
- Form 8822-B must be filed within 60 days of the change. There is a box on the form that exempt organizations must check.

FORM W-9

Request for Taxpayer Identification Number and Certification

- Obtain from all vendors.
- Obtain from all prize winners.
- Used to obtain Employer Identification Numbers or Social Security Numbers for filing Form 1099.
- Back up Withholding required if tax ID not obtained.
- Do not mail Form W-9 to IRS.

FORM 1099-NEC

- 1099-NEC for Non-Employee Compensation (payments to vendors– unincorporated individuals, partnerships, LLC)
- **Payments of $2,000** or more in Non-Employee Compensation, indexed for inflation.
- **$2,000 is cumulative for CALENDAR year** – not a fiscal year calculation.
- Provide to vendor by January 31st and to IRS by January 31st of each year.
- E-File required if issuing 10 or more Forms 1099.

FORM 1099-MISC

- Report rent and other income (prizes).
- $2,000 or more (cumulative) in a calendar year.
- Indexed for inflation.
- Report prizes and awards of $2,000 or more paid to an individual.
- Provide to vendor by January 31st and to IRS by January 31st of each year.
- E-File required if issuing 10 or more Forms 1099.

DONATION RECEIPTS

- Organizations should provide written receipts to the donor for donations of cash and/or property,
- Donation of $250 or more.
- Receipts not necessary for donated services.
- Property must have some cost basis in the hands of the donor (coupons and discounts generally do not have a cost basis).
- Quid Pro Quo rule for payments of $75 or more for which is part goods/services and part contribution.
- Receipts should be on the organization's letterhead, e-mail, postcard, etc.
- Organization should not determine fair market value of donated property.

DONATION RECEIPTS

- Receipt should include:
  - Name of Organization
  - Amount of Cash Contribution
  - Description – but not value – of non-cash contribution
  - Statement that no goods or services were provided by the organization in return for the contribution, if that was the case
  - Description and good faith estimate of the value of goods or services, if any, that an organization provided in return for the contribution
  - Do not need to include donor's SSN or TIN

Donation Receipts – Goods and Services Provided

- Donation Receipt must describe goods or services an organization provided, if any, in exchange for a contribution of $250 or more.
- Provide a good faith estimate of the value of the goods or services – donor must reduce the contribution deduction by the fair market value of the goods or services provided by the organization.

Donation Receipts – Goods and Services

- Exception – insubstantial goods or services do not need to be described:
  - Context of fundraising campaign
  - Informs the donor of the amount of the contribution that is a deductible contribution; and (as of 2026)
    1. the fair market value of the benefits received does not exceed the lesser of 2% of the payment, or
    2. the payment is at least $69.50, the only items provided bear the organization's logo or name (mugs, t-shirts, posters, etc.) and the cost of these items is within the limit for "low-cost articles," which is currently $13.90.

DONATION RECEIPTS
– QUID PRO QUO

Contribution made by a donor in exchange for goods and services

- Contribution in excess of $75.
- Written disclosure statement.
- Inform that the amount of the contribution deductible for federal income tax purposes is limited to the excess of money (and the fair market value of property other than money) contributed by the donor over the value of goods and services provided by the organization.
- Provide the donor with a good faith estimate of the fair market value of the goods or services received.
- PENALTY - $10 per contribution, not to exceed $5,000 per fundraising event or mailing.

DONATION RECEIPTS
– QUID PRO QUO

EXAMPLE:

Donor gives a charitable organization $100 in exchange for a concert ticket with a fair market value of $40. The donor's tax deduction may not exceed $60.

Because the donor's payment exceeds $75, the charitable organization must furnish a disclosure statement to the donor, even though the deductible amount does not exceed $75.

CHARITY AUCTIONS

Donors who purchase items at a charity auction –

- Claim a deduction for the **excess of the purchase price paid for an item over its fair market value.**
- Donor must be able to show that he or she knew that the value of the item was less than the amount paid.
  - A charity may publish a catalog given to each person who attends an auction, providing a good faith estimate of items that will be available for bidding.
  - Assuming the donor has no reason to doubt the accuracy of the published estimate, if he or she pays more than the published value, the difference may constitute a contribution deduction.

SAMPLE DONATION RECEIPTS

DONATION OF CASH

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of $_____ in cash on [date]. Your gift will be devoted to our organization's objectives and we will not provide benefits or services required to be valued in consideration for this gift.

(Organization's Name)

_____

Authorized Signature

BENEFITS PROVIDED (PAYMENT OF $75.01 OR MORE)

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of $_____ in cash and/or [Describe Property] on [date]. We estimate the fair market value of the benefits we provided to you as consideration for this donation was $_____. We are an I.R.C. section 501(c)(3) organization and you may claim a donation deduction for the difference between the cash and/or property given to the organization and the value of the benefits you received. The organization assumes no responsibility for determining the fair market value of the donated property.

(Organization's Name)

_____

Authorized Signature

SAMPLE DONATION RECEIPTS

DONATION OF PROPERTY

(Donor Name)

(Donor Address, if known)

Thank you for your contribution of property of [Describe property] on [Date]. Your gift will be devoted to our organization's objectives and we will not provide benefits or services required to be valued in consideration for this gift. The organization assumes no responsibility for determining the fair market value of the donated property.

(Organization's Name)

_____

Authorized Signature

CISD website for additional information –

www.conroeisd.net/wp-content/uploads/2016/02/Sample-Donation-Receipt.pdf

DONATION RECEIPTS

- IRS Publication 1771 provides detailed information regarding the IRS requirements for donation receipts.

- www.irs.gov/pub/irs-pdf/p1771.pdf

FORM 8282 AND 8283

8282 – Dispositions of Donated Property

- Disposed of within 3 years of donation
- Sell, transfer or assign property with a fair market value of $500 or more
- Exception – items consumed or distributed for charitable purpose
- Form filed with IRS within 125 days of disposal
- Additional rules and exceptions may apply

8283 – Non-Cash Donations of $5,000 or more

- Officer signs to acknowledge receipt of property described on Form 8283 on the date specified on the form

FORM 990T

- Unrelated Business Income (UBI)
- Subject to income tax at corporate rates
- Income from Volunteer run activity not UBI
- Income from activity not substantially related to exempt purpose
  - Advertising
  - Travel Tours
  - Sale of Mailing Lists
  - Rental of real estate or personal property

UIL Booster Club Guidelines

- UIL Publication -
  - Club Finances
  - Athletic Boosters
    - Significant Restrictions to Athletes on acceptance of money or valuable consideration for participating in an UIL sport
  - Academic Boosters
    - Restrictions by Awards Rule
  - Music Boosters

www.uiltexas.org

UIL Booster Club Guidelines

Individuals should be informed of the seriousness of violating the athletic amateur rule found in Section 441 and the awards rule found in Section 480 of the UIL Constitution and Contest Rules. Check with school administrators before giving anything to a student, school sponsor or coach. The penalty to a student-athlete is forfeiture of varsity athletic eligibility in the sport for which the violation occurred for one calendar year from the date of the violation. If a team violates the amateur rule, the penalty shall be assessed against the team and not against each individual. See Section 441(d), UIL Constitution and Contest Rules. All fans, not just members of the booster club, should be aware of these rules.

UIL Booster Club Guidelines

• Athletic booster club funds shall not be used to support athletic camps, clinics, private instruction or any activity outside of the school.

• The local school district determines when, how and from whom student athletes can receive meals and snacks. See Section 441(b)(9), UIL *Constitution and Contest Rules*.

• Schools must give prior approval for any banquet or get-together given for students.

• Students may not accept money or other valuable consideration from school booster club funds for any non-school purpose. See Section 441(A)(3), UIL *Constitution and Contest Rules*

UIL Booster Club Guidelines

- Student athletes are prohibited from accepting valuable consideration for participation in school athletics (anything that is not given or offered to the entire student body on the same basis that it is given or offered to an athlete). See Section 441(a), UIL *Constitution and Contest Rules*. *Valuable consideration is defined as tangible or intangible property or service including anything that is usable, wearable, salable or consumable*.

UIL Booster Club Guidelines

- Booster groups or individuals may donate money or merchandise to the school with prior approval of the administration. These kinds of donations are often made to cover the cost of commercial transportation and to cover costs for meals. It would be a violation for booster groups or individuals to pay for such costs directly, without prior approval from the local school administration. See Section 441(b)(9) and Section 840 (a)(2)(A)(iv), *UIL Constitution and Contest Rules*.
- Student athletes may accept small "goodie bags" consisting of cookies, candy and symbolic gifts from their classmates, if allowed by local school policy. See Section 441(B)(7), UIL Constitution and Contest Rules.
- May award scholarships for college or university enrollment if awarded at or after graduation from high school, if approved by the local ISD.

State Sales Tax and State Exempt Status

TEXAS TAXES

- Exemption from sales tax and franchise tax – State Comptroller's office.
  - Separate from IRS tax-exemption.
  - Must be a 501(c)(3)to qualify for the exemption.
- Texas Application for Exemption

  Conroe ISD Internal Audit will prepare for group members
- Apply for a Texas sales tax number – to collect sales tax on taxable sales.

Do not use the CISD Texas Sales Tax Number!

The Texas Sales Tax Number is different from the Federal Employment Identification Number

Texas Sales Tax

- Exemption from paying Sales Tax
- Requirements to collect Sales Tax

PURCHASES BY ORGANIZATIONS

- No sales tax paid upon purchase, lease or rental of taxable items.
- Necessary to the organization's exempt purpose.
- Provide **exemption** certificate at time of purchase.
- Items purchased tax free cannot be used for the personal benefit of a private party or other individual.

PURCHASES BY ORGANIZATIONS

- A tax-exempt organization is exempt from sales tax and provides an **exemption certificate**.
- A taxable organization (and in some cases, a tax-exempt organization) is exempt from sales tax for items purchased for re-sale. A **re-sale certificate** is provided to the seller by the buyer.

PURCHASES BY ORGANIZATIONS

- If a nonprofit organization has qualified for sales tax exemption with the Comptroller's office, it can claim a sales tax exemption when it buys a taxable item by giving the seller a properly completed Texas Sales and Use Tax Exemption Form (01-339).

- An authorized agent can buy items tax free by giving the seller a properly completed exemption certificate in the exempt nonprofit organization's name. An "authorized agent" is a person designated by the exempt organization to buy items on its behalf.

- Sellers do not have to accept an exemption certificate.

PURCHASES BY ORGANIZATIONS

PURCHASES for DONATION

- An individual can give Form 01-339 to the seller instead of paying sales tax when buying items to be directly donated to the following exempt organizations: religious, charitable, educational, nonprofits exempt under IRC Sections 501(c)(3), (4), (8), (10) or (19), federal government entities and Texas state and local government entities.

SALES BY ORGANIZATION

- Sales Tax Permit – to collect and remit sales tax on taxable sales
- Tax Free Sales
  - **TWO** one-day tax-free sales per calendar year – 501(c)(3) organizations only.
  - One-day is a 24-hour time period
  - Often, Delivery day is the "Tax Free Sale Day"
  - **No permit required if sells only during tax-free fundraisers or only nontaxable items**
  - **ALL DELIVERIES MUST BE COMPLETED**

IN THE 24-HOUR TIME PERIOD.

Sales by Organization – Using a Fundraising Company

- The organization serves as an "agent" when it takes orders for the vendor and then receives a commission or a percentage of the sales revenue.
- An example is a catalogue/brochure sales.
- The fundraising company is the seller and must collect, report and remit the sales tax.
- Since the exempt school organization is not the seller, it cannot use its tax-free sale days to make exempt sales on behalf of the fundraising company.

Online Sales

- Online sales of taxable items are treated the same as sales made at the school or at any other sales location.
- Unless an exemption applies, exempt school organizations must collect sales tax on taxable items sold online.
- An online sale during a one-day, tax-free sale qualifies for the exemption.

Food and Beverage Sales

- Generally, no sales tax collected on meals and food products including candy and soft drinks during school day or as part of an organization's fund-raising drive and all net proceeds go to the group for its exclusive use.
- Concession-stand food sales are exempt when made by a school group, PTA/PTO, booster club, if the sales are part of the organization's fundraising drive and all net proceeds go to the organization for its exclusive use.
- Annual Banquet – **tax free if**
  - Not professionally catered
  - Not held in a restaurant, hotel, etc.
  - Not in competition with a retailer required to collect tax
  - Food is prepared, served and sold by members of the organization.

SALES TAX REPORTING AND REMITTANCE

- Sales Tax Report – filed monthly, quarterly or annually depending on amount of sales tax collected – Filing required even if no taxable sales in the report period.
- Report due on the 20th day after the end of the month, quarter, or year.
- **PENALTY for not filing.**
- **PENALTY for LATE filing.**
- There are a number of special sales tax rules beyond the scope of this presentation. Please consult the State Comptroller's website – www.window.state.tx.us

RAFFLES

The Charitable Raffle Enabling Act governs raffles.

Please review the State Attorney General website for additional information – www.oag.state.tx.us

- Money cannot be offered (coins, paper currency or negotiable instrument readily convertible to coins or currency). Stored Value Credit Card is not prohibited.
- Limit on value of raffle prize, if prize is purchased by organizations.
- **Only 4 raffles per calendar year and only one at a time.**
- Must be a nonprofit, for at least 3 years - Schools Cannot Hold Raffle.

- Raffle cannot be advertised statewide.

Raffle purchases are not donations – Raffles are considered gambling.

RECORD RETENTION

- Generally, until period of limitations runs for the return
- Period of limitations is the period of time to amend a return or during which the IRS can assess additional tax
- Permanent Records (by-laws, minutes, tax returns, etc.)

RECORD RETENTION

- Minimum – per IRS Regs – as long as records may be needed
- Six years is a reasonable minimum
- If not reporting income and is more than 25% of your income – 6 years
- Fraudulent return – indefinitely
- Do not file a return – indefinitely
- Assets – until end of period of limitations expires for the year the asset is disposed



QUESTIONS ???

AND

ANSWERS……