

# 5 Essentials for Booster Clubs to Meet IRS Requirements

by [Dan Caldwell](http://theboosterleader.com/author/theregengroupcomcast-net/) (<http://theboosterleader.com/author/theregengroupcomcast-net/>)

**T**he Internal Revenue Service exempts booster clubs and other nonprofits from paying taxes as long as they register as 501(c)(3) organizations. Without this exemption, booster clubs could owe 15 ~ 25% of their income in taxes.

However, this exemption has significant implications. [The IRS requires booster clubs to distribute funds equally to all students, regardless of their individual participation in fundraising activities](http://theboosterleader.com/should-students-who-dont-fundraise-get-to-participate/) (<http://theboosterleader.com/should-students-who-dont-fundraise-get-to-participate/>). So, is it advantageous for a booster club to register with the IRS as a 501(c)(3)?

## What Should Booster Organizations Do?

Booster organizations should take advantage of the tax-exemption offered by the IRS under section 501(c)(3). The booster leader's top financial priority is to operate in full compliance with the guidelines provided by the IRS. I am neither an attorney nor an accountant. However, I have learned these five essentials while leading a booster organization:

1. **Operate with one general fund.** This is an absolute requirement. All income shall be deposited into this fund, and all expenses shall be paid from it.
2. **Do not keep records on the side.** Beware of keeping records that could give the appearance that special benefit is given to any student. These records could include hours students worked in fundraisers, points awarded to students for participation in fundraisers, or credit for dollars that students brought into the organization.
3. **Keep records according to sound accounting practices.** Under many funding models, families will make student payments to the organization. You must keep accurate records of all incoming and outgoing funds – that's just good business sense. Occasionally, a parent will want to confirm that a check has been received by the organization. However, do not use these records to give preferential treatment to any student.
4. **Hire a Certified Public Accountant.** I recommend that all booster organizations keep an accountant on retainer. An accountant will bring expertise to the table and will be able to steer the organization in the right direction. As booster leaders rotate into and out of the organization, the accountant will provide continuity in financial leadership. Have your accountant review the

organization's books quarterly or semi-annually, and ask her to help you file financial documents required by the IRS, the state government, and the school board.

5. **When in doubt, seek legal counsel.** At times you will need a legal opinion to help determine an appropriate course of action. As a leader, your peace of mind will far outweigh the cost of an attorney's services. Be sure to select an attorney who specializes in nonprofit operations.

## **Does Your Booster Club Comply With the IRS?**

Do you know all of the IRS requirements for your booster club? Are you confident that your booster club fully complies with the IRS? How would your booster club fare if you were audited?

To learn all of the IRS's requirements for booster clubs, check out my book, *[The Booster Leader, 35 Leadership Essentials for a Thriving Booster Organization](http://www.amazon.com/dp/BooLNTPoRK)* (<http://www.amazon.com/dp/BooLNTPoRK>). It will equip you to lead with confidence and give you the assurance of complying with all IRS requirements. *The Booster Leader* (<http://www.amazon.com/dp/BooLNTPoRK>) is available on [Amazon](http://www.amazon.com/dp/BooLNTPoRK) (<http://www.amazon.com/dp/BooLNTPoRK>) in Kindle and paperback formats.

**Question: What are your booster club's best practices for complying with IRS requirements? You can leave a comment by [clicking here](http://theboosterleader.com/5-essentials-for-booster-clubs-to-meet-irs-requirements/#respond) (<http://theboosterleader.com/5-essentials-for-booster-clubs-to-meet-irs-requirements/#respond>).**