



FEDERAL TAXES

IRS Section 501(c)(3)

The Louisiana PTA and all subordinate units in Active Affiliation are exempt from federal income tax as charitable and education organizations under the provisions of section 501(c)(3) of the Internal Revenue Code. As such, the subordinates fall under LAPTA's 501(c)(3) blanket exemption. Annually, LAPTA is required to submit to the IRS a list of all units in Active Affiliation. Those listed are covered by our group exemption. Any unit not listed would be subject to income tax on all earnings. If a PTA votes to dissolve, it loses this status and benefits. To have "**Active Affiliation**," a unit must submit the required paperwork to LAPTA which can be found under the "Run Your PTA" tab at LouisianaPTA.org as well as at the end of this section.

Protecting Tax Exemption

As 501(c)(3) organizations, the LAPTA and its Local Units in Active Affiliation may solicit and spend funds without paying income tax to the federal or state governments if they comply with rules governing non-profit organizations and all income is directly related to the purposes of the organization. To maintain its 501(c)(3) status, a PTA must meet specific standards. The organization must be noncommercial, nonsectarian, and nonpartisan meaning that it does not engage in specific commercial endorsements, is not involved with specific religious groups, and does not endorse or support political candidates or parties. Further, neither the organization's name nor any member acting in an official capacity can endorse or promote a commercial concern or political party or conduct activities not in keeping with the PTA Purposes and Mission.

Donations

The 501(c)(3) designation means that contributions to PTAs are deductible as charitable contributions for federal income tax purposes. If a donor requests verification that a PTA is a 501(c)(3) charitable organization, email the LAPTA office at office@LouisianaPTA.org to obtain an official letter if you do not have one. PTAs must be prepared to issue receipts to donors whose contributions exceed \$250 in one day; cancelled checks are no longer sufficient. There is no required format for the receipt, but it must include the PTA's name, donor's name, date, and cash amount received or a description of the property received.

PTAs must inform prospective donors about the extent to which their contributions are tax deductible. This disclosure should indicate the fair market value of any tangible benefit received in exchange for a contribution and the amount of the donation that is deductible as a charitable contribution. For example, if a Spaghetti Dinner ticket sells for \$20 and the value of the meal is determined to be \$5, the purchaser is entitled to a \$15 charitable contribution. The \$5 is not necessarily the cost to the PTA but the value of the meal allowing for a profit.

PTA volunteers may deduct out of pocket expenses while volunteering for the PTA. These include mileage for travel to and from volunteer sites; costs not reimbursed relating to volunteer work, such as phone calls; and the costs of childcare incurred to enable a person to volunteer. The value of a person's time is not deductible. Pizza nights are considered donations.

Unrelated Business Income

As a tax-exempt organization, PTA revenues are not subject to federal income tax if the revenue is raised in a manner that is related to the PTA's tax-exempt purpose. However, it is possible for some revenue to be subject to income taxation. When this occurs, the amount subject to taxation falls into the category of Unrelated Business Income (UBI). An activity is classified as UBI if it has all of the following:

- The activity provides income and the PTA takes an active role in the generation of income.
- The activity is conducted on a regular and continuous basis.
- The activity is unrelated to the mission of the PTA. Even if the proceeds are used to further PTA purposes, if the method of raising the funds is unrelated, it is deemed UBI. Fundraising is not a related activity even if all of the net revenue will be used to support PTA programs.

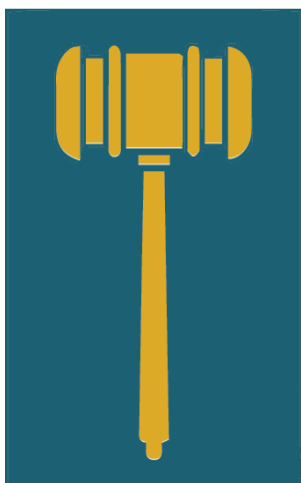
However, if the PTA conducts the activity and provides at least 85% of the labor, the income generally will be excluded from taxation, even if the above three conditions exist. There is no rule that says PTAs must never conduct activities that produce UBI. But, if the unrelated activity is dominant, the PTA may no longer be perceived as a charity supporting itself with some UBI. Instead, it may be viewed by the IRS as a business with some charitable activities. At that point, the PTA would lose its tax-exempt status. IRS regulations require nonprofits to file Form 990-T and pay taxes when gross receipts from unrelated business activities (UBI) are over \$1,000.

IRS Tax Filing Requirements (irs.gov/charities-and-nonprofits)

Which 990 Form to File?

If your gross receipts are less than \$50,000, use Form 990-N. If your gross receipts are less than \$200,000, and total assets are less than \$500,000, use Form 990-EZ or 990. If gross receipts are more than \$200,000 or total assets are more than \$500,000, use Form 990.

All filers must register at [IRS.gov](https://irs.gov) prior to filing their Form 990-N. Form 990-N must be completed and filed electronically. There is no paper form. Use the Form 990-N Electronic Filing System (e-Postcard) User Guide while registering and filing. Most common problems can be avoided by following the User Guide. Organizations should continue efforts to file, even if late.



Form 990-N is due every year by the 15th day of the 5th month after the close of the tax year. The e-Postcard cannot be filed until after the tax year ends. For example, if the PTA tax year ends on June 30, the e-Postcard is due November 15. If Form 990-N is late, the IRS will send a reminder notice to the last address on file. There might be a penalty assessment for filing Form 990-N late. Organizations that fail to file required Forms 990, 990-EZ or 990-N for three consecutive years will automatically lose their tax-exempt status. Revocation of the organization's tax-exempt status will happen on the filing due date of the third consecutively missed year.

Form 990-N is easy to complete with only eight items of basic information about the organization. That is the EIN, tax year, legal name, mailing address, and any other names the organization uses, name and address of a principal officer, website address if one exists, confirmation that the organization's annual gross receipts are \$50,000 or less, and, if applicable, a statement that the organization has terminated.

Form 1099-Miscellaneous

A PTA is required to file Form 1099-MISC if it paid \$600 or more during a calendar year to a business or person for services rendered. Examples include a guest speaker or artist-in-residence. A copy must be sent to the recipient by February 2 of the year following the payment and a copy must be sent to the IRS by March 1. Form 1099 is not required for scholarship recipients regardless of the amount paid. Scholarship winners are required to spend their proceeds on tuition or other required school expenses or else they must report the proceeds as personal income.