

Frequently Asked Financial Questions:

SALES TAX

1. *Sales tax questions*

We have had many of these questions. It is a very complicated issue and not easy to cover here. Please see the Sales Tax Chart found on the Web site under the treasurer's tab.

<http://www.illinoispta.org>.

2. *May we collect the sales tax for a vendor?*

The way the law is written, if you collect the sales tax YOU are required to remit it to the Illinois Department of Revenue. You cannot collect and turn over to another agency to remit for you. We strongly recommend that if you are doing a fundraiser that requires sales tax, you make sure that the checks and money go directly to the vendor and they pay the tax. Paying sales tax causes a lot of extra work.

3. *When a PTA member buys something for the PTA, do we have to pay sales tax? Do we need to present something to the store or do we just tell them and they have something on file?*

You do not need to pay sales tax. You do have to usually present a letter that indicates that you are a PTA and it has a tax number. Some stores may require more than just this letter. The letter is provided in the Local Unit Packet.

FEDERAL AND STATE REPORTING

1. *When do you have to file a 990 form?*

All units must now file an IRS Form 990. If you have gross receipts (this is the total amount of money coming into your PTA and not just profits) that exceed \$1,000,000 (for fiscal year ending in 2009), you need to file the regular 990. If you gross over \$25,000 to \$1,000,000, then you can file a 990EZ. If you gross less than \$25,000, you will need to file the 990N, which must be filed online at the IRS web-site: www.irs.gov/charities. Please note that in subsequent tax years, the \$1,000,000 threshold for the 990EZ will be lowered.

Please remember that the government describes "anything that puts money into your treasury as fund-raising, whether it makes a profit or not."

2. *We just received a letter from the IRS saying we did not file last year and are subjected to fines. What do we do?*

Make sure that you respond right away. You want to make sure that the IRS knows that you are working on the issue. Send in any forms they are requesting. You can also include a letter explaining that you are an all-volunteer organization and that this was an inadvertent omission. If there is some other extenuating circumstance, let them know. It may be possible to have the fines reduced or eliminated.

3. *Should our PTA be a corporation?*

The Illinois PTA does recommend that PTAs be incorporated. This provides your volunteers with additional legal protection. It is inexpensive and can be done through the Secretary of State's Office. Once your PTA is incorporated, you will be required to file an annual report with the Illinois Secretary of State every year and pay the filing fee.

4. ***Are there any filing requirements with the state of Illinois?***

The Illinois Attorney General requires all non-profits with **net** profits in excess of \$50,000 annually to register and file the AG990.

DUES

1. ***In our \$3.25 dues for each member, that we send in to the state, does that also include the national dues that we are required to pay?***

Yes, the dues that you send in are for both the State and the National PTA.

2. ***When sending in our dues, is it okay to use a copy of the form, rather than the 2-part form? Also, do we need to keep a copy of the form for our records or is the check enough record?***

Yes, you can use a copy of the form. You should make a copy for your records, too, as a receipt for that check.

BUDGETING

1. ***We are just getting started and have very little funds. We have committees formed and they are very anxious to get started with groundbreaking ceremonies, back to school events, and things like that. I'm assuming they pay for things out of their own pocket until the PTA has money to reimburse? Is that correct?***

Actually, the PTA needs to form a budget and have the membership vote on you're your PTA cannot make any commitments until the budget is adopted and it has done some fundraising. Remember that the first purpose of PTA funds is to pay for the expenses of the PTA.

2. ***Is it possible to carry over money from one year to the next?***

Yes, this is possible, if you have a specific purpose for the money, such as making a major purchase or for start-up funds in the new school year. You do not want to keep adding money year after year, since PTAs are a nonprofit organization.

3. ***We have extra money from a fundraiser and want to purchase something for the school. Do we need to go to the membership with this request?***

Yes, any changes in your budget require that you have the change voted on by your membership. Your budget should list individually any major purchases so that the membership knows how you are spending money.

FUNDRAISING

1. ***May PTAs put on raffles to raise money?***

PTA does not encourage raffles, since this is a form of gambling or games of chance which are regulated by the state and local municipalities. Nonetheless, it is up to the local PTAs. It is important that you follow all local laws on raffles. Most cities and villages require a license.

2. ***We have recently received several donations. Do we need to write a receipt for these?***

For any type of donation, you should provide a receipt so that the donator may use the donation on their taxes. This is true whether the donation was money or a product. A sample letter may be found in the National PTA Money Matters Quick Reference Guide.

3. ***Who sets the price for items donated for a silent auction?***

Usually it is the person who is donating the item, but you need to make sure that the amount is realistic. If it is something that is sold in a store, it is easy to check by looking in the store.

4. ***We have a local store that offers to donate money to the PTA when people shop at the store. May we promote this fundraiser?***

PTAs need to be very careful when getting involved with these types of fundraisers. The IRS does not want a non-profit association competing against local businesses. So PTAs are not allowed to take any actions that appear to be promoting one business over another. For instance, some grocery stores have a form to bring in and then on certain dates, they'll donate a percentage of the sale to the PTA. If the PTA was distributing the flyers, then the IRS may consider this promoting this over another store. On the other hand, if the store hand them out by the entrance, this would be legal to the IRS. The same is true for restaurants and companies that are like a food co-op.

5. ***What types of items should the PTA be financially supporting for the schools?***

The first use of PTA funds is to support the PTA. This would include purchasing offices supplies, stamps, computers, going to trainings, conventions, or other PTA sponsored events.

If the PTA has extra funds then they may be used to enhance children's lives. They should not be used to support items that the School District should be buying such as textbooks needed for the curriculum, sports equipment, and never should they be paying for salaries.

Some items that could be purchased are family activities, special field trips, support materials for some the school programs. Remember that the PTA is for all children. When possible, the support should be for the maximum number of children, if it will not affect all children.

INSURANCE

1. ***How do we get bonded?***

This is done through an insurance company. You can purchase this insurance through the Illinois PTA. There is a separate flyer that comes through the mail to the President.

MISCELLANEOUS

1. ***Why is our school able to do some things that our PTA is not?***

PTA is a 501(3)(c) organization. Schools are a different type of non-profit organization and fall under different laws and rules.