

Your Local PTA Unit's Responsibility in Maintaining Your Non Profit Status with the IRS and More

One of the many benefits of belonging to PTA is that your Alabama PTA State Office secures a Taxpayer Employee Identification Number (EIN - needed to open your checking account) for you when you are chartered and places you under the Alabama PTA Group Tax Exemption. What does that mean? That your local unit PTA is not responsible for paying state or federal income taxes and that donations to your local unit PTA are considered as charitable donations. If your local unit were to have to apply for this tax exempt status independently, then it would be \$600-\$800 for your application. If for some reason your application was not accepted and you had to resubmit it, then the application fee would be accessed again each time the application is filed.

With this benefit comes some responsibility on the part of the local unit PTA. Your local unit PTA is required to file an annual tax return with the IRS. In most instances that will be Form 990N postcard - a simple online form with less than six questions. This is for local units with less than \$50,000 in gross receipts. Gross receipts do not include dues payable to Alabama and National PTA.

While income is not taxable, the IRS may impose fines for not filing a return. If your local unit does not file your return for three consecutive years, then the IRS will revoke your tax exempt status. The process to get your tax exempt status is involved and can be expensive. While Alabama PTA will assist with you with the revocation process, your local unit will still be responsible for the fees associated with reinstatement.

So please make certain your tax returns are filed annually. Your fiscal year with the IRS will be from July 1 to June 30 annually. Your local unit must file no later than November 15th of each year. So for example, by November 15, 2018 you will need to have filed your 2017 990N Postcard. This will be for the period from July 1, 2017 through June 30, 2018.

Being income tax exempt is not the same as being sales tax exempt. Alabama PTA and its local units are not sales tax exempt. There is an important reason why Alabama PTA has never sought sales tax exemption. As you are aware, public education in the State of Alabama is funded through sales tax revenues, so by seeking sales tax exemption, we would be taking funds from public education which is not part of our mission. Just for reference, you should not be charged sales tax for fundraising items through a fundraising company.

Falling under the Alabama PTA group exception is an important benefit of membership and sets us aside from other parent organizations where you would either have to secure your own tax exception or keep all your funds in a school account which ultimately belongs to the school and is under their discretion. PTA funds and school funds should always be kept separate. Per the Alabama Department of Education, school employees may not handle PTA funds. They cannot be signers on your checking account, and they should not be collecting funds on behalf of PTA. However, they may serve on your PTA Board as long as they are not on the banking accounts and do not handle funds.

Generally speaking, when a local PTA unit's tax exempt status is revoked due to non-filing of returns, it is because during transition from one group of officers to the next this vital information is not forwarded on to the next president and treasurer and they are unaware of this responsibility. While these requirements are always emphasized at State and Council trainings and meetings, not all units attend training, and not all units are in Councils.

Please take the time to print out this explanation and make certain it is in the president and treasurer notebooks for your local unit PTA.