# FINANCIAL GUIDELINES FOR PTAs

**The PTA structure requires that a budget be in place at all times, and that membership has approved the budget in place and any amendments to the budget. Additionally, the IRS has guidelines for non-profits that must be adhered to.**

## PROTECTING THE PTA'S TAX-EXEMPT STATUS

The PTA's mission and 501(c)(3) nonprofit tax-exempt status should guide all financial decisions. Local PTA/PTSA units have the autonomy to make spending decisions on their own. However, since the nonprofit, tax-exempt status of the entire association might be affected by actions of local units, National and Arizona PTAs have recommendations to guide you. In addition, there are IRS guidelines to consider when planning for fundraising.

- A PTA's tax-exempt status is one of its most important assets. Tax exemption means that PTA/PTSA units do not pay federal taxes. They do file a return, but do not pay taxes. If that status is revoked, charges of negligence or mismanagement may be brought against the officers and directors. Therefore, when considering a proposed activity, the PTA should ask, *"Will this activity adversely affect our tax-exempt status?"*
- Strict compliance with all applicable federal, state, and local laws is extremely important to prevent even the most well-intentioned effort from becoming a serious problem for a PTA. For more detailed information, see the IRS website: www.irs.gov, the National PTA Money Matters Quick Reference Guide, and the Arizona PTA website www.https://www.azpta.org/leaders-documents

****While nonprofit funds can be used to supplement school resources, they cannot be used to pay for items that the district | school is legally obligated to provide. Using nonprofit funds to cover a district's mandatory costs could be seen as improper use of public money.***

## FUNDRAISING AND THE PURPOSE OF PTA

The primary emphasis in PTA should be the promotion of the PTA mission and the purposes of PTA.

PTA purposes:

- To promote the welfare of children and youth in home, school, places of worship, and throughout the community
- To raise the standards of home life
- To advocate for laws that further the education, physical and mental health, welfare, and safety of children and youth
- To promote the collaboration and engagement of families and educators in the education of children and youth
- To engage the public in united efforts to secure the physical, mental, emotional, spiritual, and social well-being of all children and youth; and
- To advocate for fiscal responsibility regarding public tax dollars in public education funding.

**Mission**: The overall purpose of PTA is to make every child's potential a reality by engaging and empowering families and communities to advocate for all children.

***The real working capital of a PTA lies in its members, not in its treasury. Fundraising is not a primary function of PTA.***

***A PTA renders a greater service by working to secure adequate funding for programs that have an enduring benefit than by purchasing equipment for schools. PTAs should not contribute to the problem of inequities within a school district by excessive fundraising.***

The purpose of fundraising by a PTA is determined by the (shared) mission by which the nonprofit (PTA) was established with the IRS, and is not to subsidize public funds. Any funds generated by a PTA, including the local portion of dues, should be predetermined and budgeted for purposes that advance PTA work, such as undertaking projects and programs. Participation in local, state, and national PTA leadership development workshops and conventions are all appropriate and important uses of PTA funds as well. Annual membership dues are the primary source of funds for PTAs; some PTAs can do excellent work with no financial resources other than their dues. However, special projects and programs may require additional funds. If dues are not sufficient to finance a PTA's work, supplementary funds may be raised within the context of the mission and purposes of the PTA.

## EXAMPLES OF ITEMS THAT ALIGN WITH THE MISSION AND PURPOSES OF PTA

- Programs (speakers, author night, parent education topics, arts)
- Community events (carnival, dances)
- Field trips
- Supplemental classroom supplies
- Supplemental curriculum tools
- Scholarships
- Family events
- Playground equipment
- Books for the school library

**PTAs do not replace funds not supplied by Federal, State or Local governments.*

## EXAMPLES OF ITEMS THAT SHOULD *NOT* BE PURCHASED BY PTAs

- Full Time Staff positions
- Repair or replacement of cafeteria equipment, HVAC, school infrastructur etc.
- Basic furniture that should be provided by the school district
- Personal items for teachers (classroom grants should include items for the classroom and should stay with the school even if the teacher leaves)
- Technology that has been determined to be supplied by the school district
- Improvements to facilities that should be provided/maintained by the school district (flooring, sports fields, etc.)

**Spending decisions should prioritize the general welfare, needs, and academic achievement of all students**

## HOSPITALITY VS. PROGRAM EXPENSES

PTA is Parents and Teachers working together to carry out our mission: To make every child's potential a reality by engaging and empowering families and communities to advocate for all children. It is not "Parents supporting Teachers and Students." A PTA should be spending most of its budget on direct expenses that benefit children (i.e. PTA mission focused programs or events for children and families).

Per the IRS, only an insignificant amount of the expenditures of a nonprofit organization may be spent on expenses not considered directly related to the mission. The IRS recommends 5% be the limit for nonprofit budgets spent on hospitality. Money spent directly related to a program (i.e coffee for volunteers as they package fundraising orders or set up for Reflections or other programs) does not fall within the guideline.

Classroom grant money is also not considered hospitality, but do keep in mind that no individual may benefit from PTA funds, so when approving classroom grants, ensure that the items being purchased benefit the classroom, and stay with the classroom, not the teacher.

## QUESTIONS TO CONSIDER WHEN PROPOSING YOUR BUDGET

The following are just a few questions that should be used as a guideline in selecting and planning a fundraising project that will be both successful and worthy of the PTA:

- Does it adhere to the PTA mission and the purposes of PTA?
- Does it conform to the noncommercial, nonsectarian, and nonpartisan policies set forth in the PTA bylaws?
- Does it refrain from using or exploiting children? Will it create goodwill for the PTA?
- Is it a type of activity that can serve as a positive example for children and youth?
- Do the state and local governments require the PTA to collect and remit sales tax?
- Are special permits, such as special licenses or health permits, needed?
- Is the liability of the PTA and its members protected through sufficient insurance or otherwise?
- Is it an infrequent or ongoing activity? Be aware that unrelated business activities could result in some federal or state taxation of the income earned or, in the extreme, the loss of your tax-exempt status.
- Are there local, state, or federal laws that apply? Is care taken to see that no law is violated?