



## **FISCAL POLICIES AND PROCEDURES FOR BSA UNITS**

### *Frequently Asked Questions*

#### **Should our unit have a checking or savings account?**

Yes – Unit funds should be deposited in a checking or savings account that requires two signatures on every check or withdrawal. The unit leader could be one of the signees but it is recommended it be a committee person. It could be that the unit leaders have a petty cash fund (the limit set by the committee), which is accounted for with receipts each month.

#### **Does a pack or troop need its own tax identification number? If so, where do we get it?**

All units need a tax ID number (also referred to as an “EIN” – Employer Identification Number). Units should NOT use the Social Security number of an adult leader. If they do, the IRS will attribute all banking transactions, unit purchases, etc. to that leader as an individual. Units may use the tax ID number of their chartering organization, if given permission. This may be especially useful for the unit if that organization is tax-exempt.

Most units obtain their own tax ID number by completing IRS Form SS-4. There is no cost involved. The current form and instructions are available on the IRS Web site – [www.irs.gov](http://www.irs.gov). Also, the IRS now allows you to provide the information over the phone and immediately receive a unit EIN. The IRS “tax ID hotline” is 800. 829. 4933.

#### **Who is responsible for the finances of the unit?**

The unit committee is responsible for the units’ finances. A treasurer is assigned and the committee chairperson should receive the bank statement to reconcile monthly. All unit funds should pass through the bank account; this includes but is not limited to dues, money from unit fundraisers, product sales, and gifts. An exception might be registration fees which are collected as part of an organized School Night program. In this case, fees are collected by district/council representatives and are transmitted to the Scout service center.

#### **Should our unit consider insuring our unit equipment?**

Yes – it is suggested that your unit insure it’s equipment. Remember, the chartered organization owns the unit, and all funds used by the unit remain the responsibility of the chartered organization as long as the charter issued by the BSA remains in place. It is recommended that annually an inventory be given to the chartered partner of the unit’s equipment.

#### **Can our unit deposit funds with the local council?**

Yes - most councils allow units to deposit funds to their credit in the council service center, thus making it convenient for units to make purchases without sending cash. A “unit account” is established for each unit that deposits funds with the council. At a minimum, at least annually, the council should provide a detailed statement of activities of your unit account for your unit to review.

**What happens to the unit funds and equipment should the unit dissolve?**

In the event of the dissolution of a unit or the revocation or lapse of its charter, the unit committee shall apply unit funds and property to the payment of unit obligations and shall turn over the surplus, if any, to the local council. In the case of a chartered organization, any funds or equipment which may have been secured as property of the unit shall be held in trust by the chartering organization or the council, as may be agreed upon, pending reorganization of the unit or for the promotion of the program of the Boy Scouts of America.

**When should our unit submit a BSA Unit Money-Earning Application?**

For all unit fund raising – All unit money-earning projects must be approved in advance by using BSA's Unit Money-Earning Application. Approval must be made by the chartered organization and the local council.

**Is our pack or troop considered tax-exempt by the IRS?**

That depends on who sponsors your pack, troop, or unit. The only time a unit can be considered "tax-exempt" is if its sponsoring organization is also tax-exempt.

The BSA National Council grants a *charter* to religious organizations, service clubs, businesses, and others who want to sponsor a Scout unit. A unit is actually "owned" by its chartered organization. Chartered organizations vary widely in tax status, but the tax status of your unit is the same as that of your chartering partner.

**What is the IRS Form 990-N and does our unit need to file annually with the IRS a electronic postcard 990-N?**

In 2008 the IRS introduced a new, abbreviated filing for small tax-exempt organizations with annual gross receipt of less than \$25,000: Form 990-N. The BSA national office consulted with the IRS and outside counsel about if this new filing requirement applies to Cub Scout packs, Boy Scout troops, Venturing crews, and other units. In their opinion, most Scout units do not have to file the new Form 990-N. **For most units, no filing is required.**

The only exception is for the very small number of units that have filed for separate, federal tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Those units must file either Form 990-N (if their annual gross receipts were less than \$25,000) or the more detailed Form 990 or 990EZ (if annual gross receipts were \$25,000 or more).

**Can our pack or troop be covered under the BSA's group exemption?**

No. The IRS only allows local councils (and council trust funds) to be included under the BSA group exemption. Packs, troops, and other Scout units cannot be included under the BSA group exemption because they "belong" to their chartering organization. (*Note: tax issues for Girl Scout troops are handled differently by the IRS because of how their cookie sales are structured.*) **IRS**

**Form SS-4 asks us for a "GEN." What is that – and do we have one?**

The "GEN" is the Group Exemption Number for the BSA. As discussed, only councils are covered under the BSA group exemption. Units cannot use this number. However, once your unit receives an EIN, the unit may still qualify for a number of state and sales tax exemptions as a non-profit organization under your state laws. Check with your own state – this varies widely across the country.

**A volunteer suggested that our unit apply for its own tax-exempt status. Can we?**

Units should not incorporate or apply for their own tax-exempt status. For one thing, units are not legal entities. Even if they were, this is an expensive and time-consuming process. But units are only permitted to raise funds through approved unit money-earning projects. Units could lose their charter if they tried to get their own tax-exempt status and solicit tax deductible gifts.

**We can't solicit gifts for our unit?**

No. Simply put, units are not permitted to solicit any gifts. Both the Charter and Bylaws and the Rules and Regulations of the BSA make this very clear – only local councils may solicit individuals, corporations, United Ways, or foundations for gifts in support of Scouting. Units, unit leaders, and youth members may not solicit gifts in the name of Scouting or in support of unit needs and activities (except in unusual circumstances where the unit has received permission to do so from the local council). Units are also prohibited from soliciting gifts on their Websites.

**Does that mean people can't make gifts to our troop?**

Units are not supposed to solicit gifts, but they can receive gifts. Anyone can contribute to a Scout pack, troop, or unit – and many donors don't need or care about charitable deductions. Obviously, defining a "solicited gift" is not always easy. But we rely on our unit leaders to set good examples and honor the intent and spirit of these important guidelines. We know it's hard to stop people from being generous, especially towards Scouting.

**Can gifts go to the local council to benefit our unit, then "pass through" the council to us?**

No – your unit "belongs" to your chartering organization, not to your local council. IRS guidelines prohibit any charity from accepting gifts that are "passed through" to a person or unrelated entity. A council could accept a gift in the name of your unit and hold it in a unit account. The unit could then "draw down" on the account for camp fees, uniform and supply needs, etc. (this is how colleges handle student scholarships). But be sure to first ask your local council if they have the staff and time to do this. This is entirely their decision.

**My local company has employee volunteerism grants and they will contribute to charities where I volunteer my time. Can these gifts go to our unit?**

Employee incentive awards and volunteerism grants usually can NOT go to a pack, troop, or unit, due to the company's giving restrictions. Corporate donations often can only go to charities that are "501(c)(3) charities," and many units are not chartered by tax exempt charities. Also, many companies won't make gifts to religious organizations. If a unit is "tax exempt," it's often because it's chartered to a church, synagogue, etc. – so they couldn't receive corporate funds either. Of course, corporate awards and grants may go to any local council.

QUESTIONS? NEED MORE INFORMATION? PLEASE CONTACT YOUR LOCAL COUNCIL.  
THANK YOU FOR ALL YOU DO FOR SCOUTING AND THE YOUTH IN YOUR COMMUNITY.