

JANUARY – Tax Exemptions for Den Leaders

Music Full then Under

AMY: Happy New Year, and welcome to Cubcast 2017. I'm Amy Hutcherson, Webelo Den Leader and International Scouting Program Specialist. Joining me is my CubCast pal, Aaron Derr, Senior Writer for *Boys' Life* magazine.

AARON: I'm going to start our new year off with a classic from the Think-n-Grin page of *Boys' Life* magazine. What animals on Noah's ark had money?

AMY: Hmm. I don't know, Aaron. What animals on Noah's ark had money?

AARON: The ducks had bills, the frogs had greenbacks, and the skunks had a scent!

AMY: And I bet none of them had to pay taxes.

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AMY: But we humans do. In fact, we got a tweet from Jake @getbackupagain1 who wanted to know, as a new Den Leader, what can I do to write off for taxes when getting started? And right here in the studio to chat with us about this rather complicated subject is the Tax Expert and Legal Counsel at the National Service Center, Russ McNamer. Welcome to CubCast, Russ.

RUSS: Thanks. I'll try to keep this as simple as possible.

AARON: We appreciate that.

AMY: Yes. So, Aaron, what does a Cub Scout Leader spend their own money on?

AARON: In the few years that I've been a Cubmaster of my son's pack, what I find myself buying are little things that add up over time. So, for example, we just recently worked on the first responder Webelos requirement, and we bought some or I bought some basic first aid supplies – gauze, Band-Aids, splints, things like that – that the kids could actually use because, we were teaching first aid to nine-year-olds. You want them to build it, be hand-on and use the equipment.

AMY: Sure.

AARON: So, who's gonna buy it? Well, I'm gonna buy it usually. In the past I've bought things like a kickball set so we could work on our kickball belt-loop. I've bought various crafts and art supplies that that we've used to make things for, like, service projects, or things like that. So, for me personally, and I would think this probably applies to other Cub Scout leaders, is that you just end up buying a bunch of little things over time that adds up.

AMY: Right. Oh, it certainly does. Those small things over time could add up.

AARON: One other thing we do, is in our den we have to share the load and have other parents chip in, so one month we may have one parent bring the thing and the next month another parent buys whatever, so you kind of spread the expense around a little bit.

AMY: Yeah. Oh, that's great. So, Russ, does it make sense that a Cub leader would think of those items as being tax deductible?

RUSS: That is true, and let me start out with my legal disclaimer. This is not tax or legal advice. Our volunteers need to consult their qualified tax or legal professionals for tax advice. And, for various reasons, some people don't itemize so this wouldn't even applied to them.

AMY: Got it.

RUSS: But I want to reference you to IRS Publication 526 which covers charitable contributions as the most authoritative reference related to questions about out-of-pocket expenses as a volunteer. So if you don't mind, let me just give you the highlights.

AMY: Sure.

RUSS: Boy Scouts of America is specifically referenced on page two in the discussion of out-of-pocket expenses when you serve a qualified organization as a volunteer, and on page three examples of qualified organizations. On page five it gives the basic rules about out-of-pocket

expenses and giving services. The amounts must be, first of all, unreimbursed; second, directly connected with the services; third, expenses you had only because of the services you gave; and last, not personal, living or family expenses. So some of the items discussed further along includes uniforms, car expenses, travel over on page six, giving an example of a troop leader on a camping trip. Then we would go to page 17 where it discusses records to keep, out-of-pocket expenses when donating your services. And just to summarize that, keep good records.

AMY: Okay, yes. Good to know.

RUSS: On page 19, this is where it gets a little more complicated, if any of your unreimbursed out-of-pocket expenses considered separately are \$250 or more, you must get an acknowledgement from the qualified organization. So I am hoping that there is going to be no separate expense that's \$250 or more. If there is, then we get into more complicated rules and questions which, which are fairly clearly explained in lay person's terms on page 19, but it begs the question of whether your pack is a qualified organization.

AMY: Oh, okay.

AARON: Interesting. What about the chartered organization, what role do they play in all this?

RUSS: It is the chartered organization that owns the pack, and so when we talk about an organization being qualified as tax exempt, we're really talking

about the chartering organization, not the National Council or the Local Council. And so that's going to depend on a number of factors starting with the tax status of the chartering organization, the pack's relationship, and that is also going to depend on communication and mutual understanding. Chartering organizations are designed to be flexible so that the chartering organization can have as much control over the unit as they want to, but there's also a point where if they don't want any responsibility for the pack then that's a discussion between the committee and the chartering organization and the local council. So, for most units, that is a discussion that they need to have if they haven't already had that.

AARON: Interesting.

AMY: So then, Russ, how do the fundraising dollars fit into all this complicated tax puzzle as far as like selling popcorn and other things they may do to fundraise?

RUSS: We can actually go to a different set of rules which is the Boy Scouts of America Rules and Regulations.

RUSS: So units are not permitted under our rules and regulations to solicit funds which is what people typically think of related to fundraising. However, in the Boy Scouts we called them unit money-earning projects, so, these are projects like selling popcorn where an item or a service may be provided but it's really at the fair market value of what the person is willing to give, and so there isn't any tax deduction related to that.

AARON: They're just making a purchase...

RUSS: Essentially, and so fundraising is good; selling popcorn, your local council will appreciate it, and it is pretty much a safe and convenient way to earn funds for the pack. And so the pack should have a plan of how much they want or need and that's really more of a function of the Unit Committee helping to work through that and have a spending plan and then a plan of how that they're going to earn that money and how it's used.

AARON: What about the average Cub Scout parent? How do they fit in? Is there anything they need to know about all this?

RUSS: Aaron, I thought you had a great suggestion about sharing some of the burden for the den leader providing items and supplies. I would start right there.

AMY: Okay. I'm gonna make an effort to keep better records myself. Are there other resources that might assist Cub Scout leaders when dealing with this topic?

RUSS: To go to a non-tax technical resource, I would say, Cub Scout Leader Roundtables would be a great place to learn how other units are doing things.

AMY: Perfect, okay.

RUSS: And the Boy Scouts have lots of resources related to training and those kind of things that would be very helpful to leaders. As far as the technical tax side of it, the website IRS.gov would be a good place to go and they can find Publication 526 and other resources related to tax-deductible items.

AARON: That's very helpful information, Russ. Is there anything else about preparing for tax exemptions for Cub Scout leaders that we haven't talked about that you think is important that we need to discuss?

RUSS: I think it may be beyond the subject of the today's (pod)Cast or even what a den leader would need to know. But when it comes to obtaining an employer identification number, known as a EIN, for the a pack they want to proceed cautiously when they do that. I do not recommend going online and applying for that. I would recommend printing off from the website a copy of the SS-4 application, and make sure that when the application is filled out they have the chartering organization's permission.

AMY: Yes!

RUSS: Because they belong to the chartering organization, that the chartering organization is the responsible party and they use the tax identification number related to that, and that the proper boxes are checked so that they are checking the other box and giving the name of the Cub Scout Pack and the chartering organization and checking the box that the EIN is for banking purposes only. That will avoid other problems down the line.

AARON: Interesting.

AMY: Whew! Well, Jake @getbackupagain1, we hope you're listening because this was such helpful information. Russ, thanks for coming on the show and helping us sort through all this complicated information.

RUSS: It's my pleasure. Thank you.

AARON: We'll be back with Reminders and Tips right after this.

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AARON: Now for your 2017 Reminders and Tips. Family Friends of Scouting, also known as FOS, is an annual council-wide presentation conducted in every pack, troop, crew, team, ship, and post between the months of November and March.

AMY: This campaign asks parents and families to consider financially supporting the Scouting program in an effort to offset the costs of providing Scouting to their children. So if you haven't already done so, contact your District FOS chair for more details. Your support and participation in the Family FOS Program is critical to your unit's success.

AARON: So, have you finalized plans for your Blue and Gold Banquet? Many packs have it during Scouting Anniversary Week, which begins this year on February 5th with Scout Sunday and ends on the 11th with Scout Sabbath.

AMY: The Blue and Gold Banquet is discussed in great detail in the December 2012 CubCast. So check it out if you haven't already because careful planning is necessary to make it a fun and successful pack event.

AARON: Speaking of successful pack events, be sure to check out the January/February issue of *Scouting* magazine for an extensive guide to planning the Pinewood Derby including tips for building a winning car with just the right amount of parental involvement.

AMY: Now, if there's something we can do to make CubCast a better resource for you, be sure to let us know. Just send us an email to cubcast@Scouting.org or tweet @cubcast. Jake @getbackupgain1 did just that and so can you.

AARON: Which leads me to a new segment of our show: Ask CubCast. And we'll start with a question from listener Bryan Peterson who writes: I'm an Arrow of Light leader and as the end of the program year draws near, I'm looking into ceremonies for my boys and wondering if the new program has changed the status of the Arrow of Light from an award to a rank. Amy, help us out.

AMY: Well, Bryan, that's a great question. We've always considered the Arrow of Light the highest ranking Cub Scouting. We used to differentiate

Webelos 1 and Webelos 2. Now we're all Webelos and we work on two ranks: Webelos and Arrow of Light. To find out ways in which you could come up with ideas for crossover ceremonies, check out our Ceremonies for Dens and Packs.

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AMY: See how easy that was? Question asked; question answered. So that's all for January CubCast. Thanks again for our guest, Russ McNamer, for joining us.

AARON: Be sure to come back next month as we explore Cub Scout Retention. Thanks for listening. I'm Aaron Derr.

AMY: And I'm Amy Hutcherson with one final tip: go to your podcast app on your smartphone or tablet and subscribe to CubCast so you don't miss a single episode. You'll be so glad you did. And from all of us at CubCast, happy New Year!

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