

## Clarifying Unit Tax-Exempt Status

Clarification of the federal tax status of Boy Scout packs, troops, and other units, in response to recent questions we've received.

The IRS recognizes the Boy Scouts of America National Council as tax exempt under IRC Section 501 (c)(3). This tax-exempt status extends only to BSA local councils and their trust funds. It does not extend to or include Scout packs, troops or other units. Scout units are not considered subordinate organizations of the BSA, they are not included within the BSA group exemption, and they are not entitled to use the BSA's Group Exemption Number ("GEN"). This is an IRS rule.

Units must either: 1) obtain their own employer identification number ("EIN") using IRS Form SS-4, or 2) use the EIN of their chartering organization. Sometimes, the IRS correctly explains to a unit the process for an organization to be considered a "subordinate" of a parent organization, and this explanation is interpreted as permission to do so. But, again, the BSA National Council cannot, and never could, declare Scout units to be subordinates.

Also, receiving an EIN does not imply tax-exempt status; it is nothing more than a unit's "Social Security" number. Since this troop's chartering organization is a church (and tax exempt), the troop could be considered tax exempt only if the church let the troop use the church's EIN, or the troop's EIN was included within the church's group exemption by the church. "Unit" gifts would be tax deductible as gifts to the church, not to Scouting.

Gifts designated for a specific unit should not go to a local council with the expectation that the gifts will pass through the council to the unit. This includes gifts from corporate charitable incentive plans and employee matching grants programs. Councils may hold funds in a unit account for things such as camperships at the council's camp or program-related items and awards. However, due to the added staff burden and expense it creates for the council, each local council is free to choose whether it will create unit accounts.

Remember also that Article XI of the BSA Charter and Bylaws states that "Contributions shall be solicited in the name of the Boy Scouts of America only through or by the authority of the Corporation and shall be limited to the National Council or chartered local councils...". Similarly, the BSA Rules and Regulations give each council the power to "control the raising and expenditure of all funds for local Scouting work in their jurisdiction." As such, attempting to incorporate a Scout unit as a separate tax-exempt entity is strongly discouraged as a potential conflict with BSA rules and bylaws.