



The PTA as a Bona Fide Nonprofit

By [Michele Israel](#) on Feb 22, 2017 in [Grant Writing](#)

The Power of the 501(c)(3)

The Internal Revenue Service (IRS) generally treats public schools as government entities that are exempt from federal income tax. As such, they can apply for and receive certain grants. But they often confront constraints—lack of time, absence of person power, and in some cases, restrictive fundraising regulations—that prevent them from going the grant-writing route for financial support. A PTA can be a tremendous help on this front.

If grant writing is on a PTA's fundraising agenda, then it might consider becoming a [certified tax-exempt organization under section 501\(c\)\(3\) of the IRS](#). This status renders a PTA a legally incorporated entity, established for charitable or educational purposes.

As an independent organization with the requisite elements (mission and bylaws, board of directors, financial policies, and structures) that comprise a nonprofit, a PTA can:

- Solicit contributions (especially large ones) from a wide range of public and private grantors, most of which will require a 501(c)(3) determination letter.
- Be exempt from state sales tax and certain federal taxes, depending on state mandates.
- Ensure donors that their contributions are tax deductible.
- Receive and maintain funds that are separate from a school's funding stream (In short, the money belongs to the PTA and goes into its bank account, which allows for the PTA to directly allocate monies to fundraising activities and school initiatives).

Responsibilities

Being a 501(c)(3) organization requires a PTA to be hyper-vigilant when it comes to financial oversight. Topping the list of required duties is filing taxes, which involves completing the [IRS form 990 \(or 990-EZ\)](#) that delineates a PTA's prior year income and expenses.

A PTA treasurer (it's best to have someone with a financial background) must stay on top of the finances, carefully documenting and monitoring the flow of funds. This is not only for tax purposes, but also to [stay within the budget](#) and ensure sufficient funds are in the bank to cover expenses. A PTA [can tackle this](#)

[filing](#), but working with an accountant may be a more efficient way to file by the deadline.

It is important to adhere to a school's or a school district's guidelines outlining how PTAs are to be structured and function, especially with regard to fundraising and financial practices. There may be requirements, for example, for mid- and year-end financial statements.

Becoming a 501(c)(3)

There are several steps a PTA must take to become a 501(c)(3) organization. In short, it must [form a corporation](#), which involves drafting and filing a certificate of incorporation. Once incorporated, a PTA can [apply for 501\(c\)\(3\) status](#), which requires filing a series of forms with the IRS. If a PTA meets the requirements for tax exemption, the IRS will issue a **determination letter** recognizing a PTA's exempt status.

More Details

To learn more about what's involved with becoming a 501(c)(3) nonprofit, review the following resources:

[Becoming a Not-For-Profit](#)

The PTAlink website provides comprehensive information on how a PTA becomes a nonprofit and what its roles and responsibilities are in that context.

[Checklist to Become a 501\(c\)\(3\) Non-Profit Organization](#)

This is an actual checklist with the varied steps involved in establishing a 501(c)(3) organization. Mark off each task as you move through the process.

[Taxes, PTOs, and the IRS](#)

This informative piece thoughtfully explains the rationale and process for acquiring 501(c)(3) status, along with the accompanying benefits and responsibilities.

About the Author: *Michele Israel owns [Educational Writing & Consulting](#). She works with large and small educational, nonprofit, and media organizations to bolster products and programs. Her career spans more than 25 years of experience creating educational resources, generating successful grant proposals, and assisting in organizational and program development*