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# Boosters or Bust: Should Booster Clubs File For Exemption

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I've seen this question come up quite a lot recently. Generally, the dilemma is whether a local booster club should bite the bullet and file for a 501(c)(3) status.

The first question, of course, is whether a booster club can even qualify as a 501(c)(3) organization. Depending on the type of booster club it is, there actually is precedent that allows a booster club to file for a tax-exempt status. From what I've seen so far, the issue isn't so much the subject matter of the booster club that serves as an impediment to this; it's the way in which that subject matter is carried out. After all, we must keep in mind that 501(c)(3)'s are charitable organizations that are supposed to serve a general public interest. Whenever you run afoul of a public purpose, issues with a 501(c)(3) status can arise.

For context, here are a couple of examples where a booster club might want to rethink filing for a 501(c)(3):

- It wants to be tremendously selective with the caliber and demographic of participants as opposed to being open to the public or using purely objective criteria for selection.
- Wants to maintain wide discretion on what participants get grant and scholarship money, how much, and how they earn it. This may be particularly true when an organization makes it mandatory that parents fundraise in order to receive funds or benefits for the child.

Other considerations may be the way the organization fund-raise's money. Some organizations ask that participants do "work-study" for sponsors in return for donors. This could clearly run afoul of the unrelated business/private inurement prohibitions on exempt organizations. Whereas ads, sponsorships and bake-sales wouldn't be as much of an issue.

Who is the organization is affiliated with (is it a school or for-profit entity)? If affiliated with a for-profit entity you would have carefully examine what, if any, benefits they are receiving? Are there any possible conflicts, such as a shared board or items purchased from that entity?

There seem to be enough potential concerns that my primary question to those booster organizations wanting to file for exemption would be why do they want to be exempt in the first place? Is it for the tax benefits? Is it for fundraising purposes? Or simply because it seems like the next natural step?

From what I've seen, booster clubs are usually small local organizations with no formal entity structure. So they could arguably continue to operate as an unincorporated association and avoid the fees/formality often associated with exemption.

This is particularly attractive option if the organization isn't really bringing in taxable income. In fact, I've heard of organizations that operate solely off of donations. If that's the case, tax exemption might not come into play as there is no taxable income. And even those that do bring in taxable income, is it enough income to worry about being tax exempt?

Let's take it a step further. Oftentimes I hear organizations say they want to become tax exempt for the convenience of donors more than anything. But many of the booster clubs I'm familiar with don't have a varied or diverse stream of income. Generally its the same local sponsors every year. If so, do these people even care about the deduction? There's been a couple of occasions where while volunteering I have fumbled and fought to give someone a receipt for deduction, only for them to tell me don't worry about it. A charitable deduction just isn't a big deal for some people.

And if the organization is fund-raising in ways that might be determined to be "unrelated business income" then the exemption doesn't matter as even tax exempt organizations still get taxed for these.

In going through it, I guess my point is do booster clubs really need to go for exemption? I'm definitely going to look more into this over the next couple of days, but I would be interested to hear the experiences others have had with this.