



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

**DEPARTMENT OF THE TREASURY**  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

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TO: Director, Exempt Organizations, Examinations SE:T:EO:E  
Director, Exempt Organizations, Rulings & Agreements SE:T:EO:RA

FROM: Lois G. Lerner /s/ *Lois G. Lerner*  
Director, Exempt Organizations

SUBJECT: Booster Club Dues and Non-Exempt Activity

In a recent Program Manager Technical Assistance (PMTA) requested by R&A (attached), the Office of Associate Chief Counsel (Income Tax & Accounting) concluded that booster club participants may be eligible to deduct the amount contributed under § 170 to the extent that the contribution exceeds the value of the return benefits received, if the participants intended to make a charitable contribution in the amount of the excess of the contribution over the value of the benefits received.

To clarify for agents and tax law specialists, the PMTA is focused solely on the tax consequences to the individual participants. It does not address the tax-exempt status of the organization, specifically, the possible tax consequences for the organization in situations where a booster club reduces the amount a participant is required to pay based on the amount of fundraising done by that participant.

***Crediting of Fundraising Amounts Constitutes Private Benefit***

If a booster club confers a benefit on a participant in return for their fundraising activities, such as by crediting amounts raised by a participant toward that participant's dues requirement, or by crediting amounts raised against the cost of a trip, the booster club is providing a private benefit to that participant. Consequently, such practices could result in the organization failing to be described in § 501(c)(3).

***Income from Services***

It is also possible that amounts credited to a participant's account due to fundraising would constitute income from services, and could result in employment taxes.

More information is contained in the 1993 CPE Text *Athletic Booster Clubs: Are They Exempt?*, available at <http://www.irs.gov/charities/article/0,,id=113083,00.html>. Please contact Justin Lowe at (202)-283-9486 with any questions.

Attachment