

BSA offers guidance on individual Scout accounts



I won't bury the lede: Despite what you might've heard, the Boy Scouts of America's rules *do* allow for individual Scout accounts.

But it's not that simple. And the explanation won't be as black and white as you'd like.

That's because the IRS rules governing things like individual Scout accounts have a lot of gray areas. All the BSA can do is help you make sense of those guidelines.

Steve McGowan, General Counsel for the Boy Scouts of America, explains individual Scout accounts and how they fit into IRS rules.

Sales of popcorn, camp cards and the like are an important part of Scouting, McGowan says. They teach Scouts to be thrifty and to manage money. They give families who might not otherwise be able to afford Scouting a chance to experience it.

But money earned from fundraisers must primarily be used in a way that benefits the entire unit, McGowan says. The nonprofit status of the BSA and of the unit's chartered organization is at stake.

Here's a nice explanation from McGowan:

An example would be if a Scout is part of a unit, and the unit raises money to offset the costs of Scouting for the entire unit. Nothing wrong with that. If they use it as a means to pay down the cost for the unit and each member to go to summer camp, nothing wrong with that.

On the other hand, when you move over to the other side, and a Scout goes out and sells a lot of popcorn, and the unit designates that money that he raises to be used only for that Scout and only for activities that benefit that Scout, we get into an issue of whether or not the IRS would consider that to be a substantial private benefit.

The IRS isn't going to go after the typical young Cub Scout that's selling popcorn, and it helps to pay for his uniforms or helps to pay for his summer camp. But to the extent we have people that are raising significant funds, and those funds are being used for costs that would normally be parental obligations in connection with Scouting, we're getting into an area where the IRS has been and is paying more attention.

Transferring units

McGowan shares an explanation about Scouts transferring from unit to unit. What happens to the money raised when a Cub Scout becomes a Boy Scout, for example?

"If the unit is part of the same chartered organization, I certainly see no problem with that," McGowan says. "The chartered organization owning both units, no problem. If we now talk about changing chartered partners, the IRS has not issued any guidance."

What's definitely not OK

Money raised in the name of Scouting that isn't used for Scouting is a definite no-no.

McGowan shares the fictional example of a Scout raising money from popcorn sales and having his portion go into his individual Scout account. He then uses that money to go to Disney World.

"That's absolutely prohibited," he says. "Any use of the funds would have to be Scouting-related. ... In fact, you can get into problems if you start taking designated funds to a lot of personal equipment that might not otherwise be unit equipment. These are gray areas, and common sense has to prevail."

If the unit uses popcorn money to buy new tents, that's fine. If a Scout uses popcorn money to buy a backpack and shoes for school, that's problematic.

It all comes down to the amount of money involved and its purpose, McGowan explains.

"Johnny, who goes out and sells a couple of hundred dollars' worth of popcorn, and he gets some credit towards a summer camp, I don't think anybody's ever going to complain about that young boy being able to do that or say that that's not a legitimate purpose related to Scouting."

An important warning

McGowan shares a cautionary tale about a group that was stripped of its nonprofit exemption. It was “the first time in a long time” the IRS has done that, he says.

“That caused us to take a fresh look at the history of the IRS’s positions on nonprofits” and carefully inspect and update the BSA’s guidelines, McGowan says.

I’ll warn you that McGowan uses a lot of phrases that *sound* vague: “gets into the realm of being allowable,” “get into an issue of” and “getting into an area where.”

But that’s intentional. As I said, there’s very little that’s black and white here. The BSA wants you to be prepared by providing you with all available facts so you can “enjoy Scouting without any problem with Uncle Sam coming to visit,” McGowan says.

Still have questions?

Please contact your local council.

Hat tip: Thanks to Russ McNamer for additional support on this post.

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