

To: Unit Leaders  
Re: Unit Scout Accounts

We have received word today on the first, of what we expect to be several, IRS rulings that impact unit finances.

Many units give Scouts a percentage of the profit of unit fundraisers. Normally the unit holds those funds in their checking account reserved for each Scout. **The IRS has ruled that Scouts receiving a percentage of any fundraiser is a commission and as such is taxable income.**

For over a year, the Boy Scouts of America, National Council has been studying the issue of private benefit. In essence, when a non-profit organization raises funds, either through contributions, or the sale of a product or service, the assumption is that the proceeds go to further the public good.

The issue comes into play when incentive programs happen at the unit level for individual Scouts. If a unit establishes an account for a member based solely on the quantity of items sold, that reward might be seen as a private benefit to the individual. If this benefit is of sufficient size, it may require reporting of this benefit as income to the individual, as well as to call into question the non-profit status of the Council and the Boy Scouts of America. These funds are clearly not for the public good, but directly benefit an individual.

Therefore, we recommend the following:

- Make sure that any sale of materials, instructions, and support information do not make reference to individual Scouts earning money for their individual participation in Scouting activities. Fundraising for group participation is, however, acceptable.
- Units who wish to continue to offer “boy account” type plans need to develop fund distribution plans that include criteria other than the sale of items. These might include:
  - Participation
  - Leadership
  - Scout spirit
  - Advancement

A portion of the unit proceeds from any sale or activity should be set aside for general unit expenses, and could include funds used for assistance to members with financial needs.