Scout accounts, revisited

A recent Bryan on Scouting blog post attempting to clarify the issue of individual Scout accounts drew more than 50 comments from readers, many of them sharply disagreeing about the value of the accounts and the precise way to interpret Internal Revenue Service regulations governing them.

“The response runs from people who think we can’t live without them to people who think you’ll be put in jail if you use them,” says Steve McGowan, general counsel for the BSA.

Asked to stress a few key points about individual Scout accounts, McGowan suggests these: Be reasonable, and remember that Scouting’s nonprofit status is at the heart of the matter.

There’s no IRS “crackdown” on the use of individual Scout accounts or any reason to think they’re a high priority for the agency. But questions can arise because the IRS seldom issues absolutely clear, detailed explanations of its innumerable rules. Much is open to interpretation, McGowan says, and that’s why being reasonable is so important.

“Is it reasonable for a Scout to earn his way to camp?” McGowan asks. “Sure. Is it reasonable for a Scout to amass so much money he could provide the whole troop with equipment? The entire troop can be provided with equipment through fundraising, but not if it’s at the discretion of a single person.”

Scouting’s tax-exempt status comes into play here. Money can be raised for the benefit of a unit, but individuals can’t gain what the IRS calls “a substantial private benefit” while enjoying those tax-exempt benefits.

McGowan offers this hypothetical: Suppose camp costs $250. One Scout raises $50 and gets $50 worth of camp paid for. Another Scout raises $200 and gets $200 worth. Is that reasonable?

Yes, McGowan says. What about one kid raising $1,000 and another raising $50? If the money is spread out across the whole unit, that’s fine, too.

But what if a Scout raises $500, uses $250 for camp and is allowed to use $250 for walking-around money or camping equipment?

“Now he’s getting an individual benefit,” McGowan says. “That won’t work. The way the IRS looks at it, nonprofit laws exist so the organization can support itself. It’s the obligation of parents to support their children.”

That forbidden individual benefit also means Scouts can’t use their account money for any non-Scouting purpose, and they cannot take the money with them if they leave Scouting.

Some commenters on the Scouting blog note that most Scouts would never earn enough in a single year to owe taxes anyway. Others worry that fears about IRS problems will have a chilling effect on units’ fundraising efforts.

On that point, McGowan is blunt: “Just because you were doing something wrong for a long time doesn’t mean it’s right. We’re Boy Scouts, and once we become aware of the rules, we follow the rules — even if we’ve been ignorant of them or there’s been intentional disregard in the past.”