

# School Fee or Fundraiser Refund Notice



**Re: Managing refunds of school fees or fundraised funds for event cancellation due to the COVID-19 Virus.**

Due to the recent cancellation of school activities and out-of-state travel, the Utah State Board of Education (USBE) School Fees Team is receiving calls asking how to comply with regulations and best handle the situation for students, parents, and guardians that have paid fees - including for travel to out-of-state events.

## Out-of-state travel

In general, decisions related to student out-of-state travel is ultimately the decision of the Local Education Agency (LEA) board and school administration as they consider the directives from their local health department, the state Department of Health, and/or the Centers for Disease Control. On Thursday, March 12, 2020, Governor Herbert and State Superintendent Sydnee Dickson announced that for at least two weeks, all school related out of state student and employee travel has been discontinued.

## Handling school fees/fundraised funds

An LEA or School should carefully consider and follow their existing Policies and Procedures (P&P) when processing:

- 1) refunds of school fees paid to students/parents/guardians; or
- 2) distributions to students from fundraising proceeds.

If an LEA's P&P do not address, or do not comprehensively address, these circumstances or, if a LEA or School desires more flexibility in a public health emergency situation, the LEA should contact their legal counsel to ensure they are complying with existing federal (IRS) and state tax regulations. **The USBE does not give legal advice to LEAs, schools, or donors.**

An LEA or School should consider:

- Refunding schools fees or individual or group fundraising proceeds per LEA P&P. Ensure refunds given are not perceived as arbitrary and capricious.
- Maintaining and accounting for carryover funds within the same program or activity for which the fees were charged.
- The donor's expectation or restriction on a donation when distributing any fundraising proceeds.
- Using fundraiser sales tax-exempt proceeds only for purchases of equipment, materials, or to provide transportation. (Refer to: UAC 59-12-102(52)(a)(iii))
- Donations or fundraising proceeds, where the LEA or school gave the donor "written documentation" of the donation for the purpose of claiming an individual tax or business deduction, may not be distributed back to the donor. The donated funds may not be used by anyone that has a relationship with the donor.

The URL below is a general overview of case law regarding the deductibility of contributions to 501(c)(3) organizations; therefore, it should be applicable to LEA foundations and charters schools that meet the 501(c)(3) IRS requirements. <https://www.irs.gov/pub/irs-tege/eotopice96.pdf>

Please contact the School Fees Team if you need further assistance.