

HOLY FAMILY SCHOOL Gift Certificate Program

Effective September 1, 2009, we implemented new procedures and policies for the sale of Holy Family Gift Certificates. These changes-prompted by IRS Regulations and a letter of policy written by Bishop Lennon-primarily addressed two issues that affected our program. The first issue was our policy of requiring each family to purchase \$3500 in certificates annually and the rebating of 2 -1/2% of all sales over that amount. The manner in which we did business could be considered unrelated business income and therefore subject to federal taxation. The second issue dealt with using paid staff members to sell certificates. For the 2009-2010 school year we addressed these issues by removing the requirement, penalty and rebate as well as implementing a "volunteer" driven sales team. We continued to research the new law and policy.

Our colleagues from the legal and finance offices at the Diocese of Cleveland have provided us with the following information:

The good news is that the revised Certificate Program will not be considered as taxable income by IRS per the following IRS rulings:

"A rebate received from the party/'Holy Family' to whom the buyer/'School Family' directly or indirectly paid the purchase price for an item is an adjustment to the purchase price paid for the item. It is not an accession to wealth and is not includible in the buyer's/'School Family' gross income." See Rev. Rul, 76-96, 1976-1 C.B.23, as Modified by Rev. Rul, 2006-28, 2006-1 C.B. 997

"The portion of the purchase price Taxpayer/'School Family' pays a charity/'Holy Family' for certificates that Taxpayer/'School Family' can either receive back in cash or allow the charity/'Holy Family' to retain does not constitute gross income under §61."

Effective June 1, 2010 we will implement the following new procedures.

2010-2011 School Year Effective June 1, 2010

The Holy Family School Gift Certificate program has been revised to so that school families can earn rebates.

1. Each school family will be charged a \$250 gift certificate participation fee over and above the annual tuition rate. This fee will be shown on your tuition bill this fee can be spread over 11 months along with your tuition if you are on the FACTS PROGRAM.
2. Part, all, or an amount in excess of this fee is refundable to the family depending upon the amount of total purchases made between June 1st and May 30th. Each family will be given credit for the purchase of these certificates and the profit (less 1% for administrative fees) will be rebated. An example of the above: A family purchases \$3,000 of certificates with a profit of 5% (less 1% administrative cost) which would equal 4%, for a rebate of \$120.
3. Families will receive rebate checks each July starting in July 2011.
4. Procedures for ordering certificates and point-of-sale hours will be published at a later date. These sales will continue to be handled by volunteers.