

## **Charity board members focus on taxes**

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Charity board members who don't pay attention to their organization's compliance with the law could end up paying a price.

A recent federal appeals court decision supported a \$409,000 IRS penalty against a nonprofit hospital board chair in Texas for unpaid payroll and related taxes, and shows the extent to which board members can be held personally liable for a charity's decisions.

Nonprofit organizations have been put under financial stress by the slumping economy. Add to that the increased oversight of the tax-exempt sector by the IRS and there's a greater chance of a charity's slip-ups and misdeeds falling onto a board member's shoulders.

It can be difficult for a board member to determine what they must account for and what can be left to a charity's staff. Above all, issues of tax compliance cannot be ignored. They also are not typically covered by insurance policies for directors and officers.

All businesses, including tax-exempt charities, are required to withhold Medicare, Social Security and income taxes from employees' wages and turn them over to the government in a timely manner. They also must pay the employer's share of Social Security and Medicare.

The IRS can impose a penalty equal to the unpaid amount on any responsible person. This is typically someone who oversees the tax collecting and accounting, but it can include board members who sign off on tax forms, participate in everyday financial operations or know about a failure to comply.

When board members make requests to staff, they can be responsible for following through by asking for documentary proof or using auditors to check compliance. Board chairs who sign the nonprofit tax Form 990 take on a greater responsibility for the organization's financial situation and general decisions.