

# United States Naval Sea Cadet Corps

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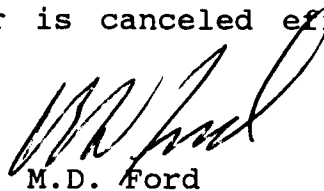
6 November 1998

## NSCC INFORMATION LETTER 12-98

From: Executive Director, U.S. Naval Sea Cadet Corps  
To: Distribution

Subj: **NSCC OFFICER'S & INSTRUCTOR'S GUIDE TO TAXES**

1. The attached guide lines were adapted for the use of the adults in our program by LCDR Keith Kohanzo, NSCC, Associate Regional Director of Great Lakes Region (9-1). Commander Kohanzo obtained permission from the author who originally wrote these for use by the adults in the Boy Scouts of America.
2. This should be used as a tool to secure/thank adult volunteers whom we can not financially reward, other than possible tax deductions, for their generous services and support of our program. Please make sure that this information is passed along to all adult volunteers through out your command.
3. This material will be available on our web site at [www.seacadet.org/resources](http://www.seacadet.org/resources).
4. This Information Letter is canceled effective 31 December 1998.



M.D. Ford

MDF/et

Distribution:  
National Chairman  
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NSCC/NLCC Commanding Officers (4 copies)

# **U.S. Naval Sea Cadet Corps**

## **Officer's & Instructor's Guide to Taxes and the Corps**

This paper describes what expenses it is believed a Naval Sea Cadet officer or instructor can and cannot deduct for tax purposes. The information was compiled in February, 1997 using 1996 tax laws. The information is believed to be still applicable as of Fall, 1998. These expenses can be deducted under Charitable Contributions on Schedule A, Form 1040. The 1996 deduction of 12¢ per mile has been increased to reflect the current 14¢ rate.

The information contained here, although originally compiled for Boy Scout leaders and modified with permission to be specifically oriented to Naval Sea Cadet officers and instructors, also applies to work for other nonprofit charitable organizations that are recognized by the U.S. government.

### **General Guidelines**

If you are an NSCC officer or instructor, you are allowed a charitable tax deduction for your non-reimbursed, out-of-pocket expenses that are directly connected with the performance of your services to the Corps. There are a few exceptions to this general guideline that are pointed out later. Also be aware that expenses that you pay for your children or for other leaders are not deductible.

### **Private Transportation**

The miles driven for NSCC events (scheduled drills, officer's meetings, field exercises, service projects, training sessions etc.) can be deducted. The cost for trips for obtaining materials, food, etc., for NSCC events is also deductible.

A trip for performing your duties as an NSCC officer can be combined with another activity. However, you may only deduct that portion of the trip that is related to NSCC duties. For example, if you drive six miles to the unit's drill site to drop off paperwork and an extra two to visit a friend, you may only deduct six of the eight miles.

Please also be aware that if the trip involves travel that you would have had to do anyway, the extra portion is not deductible. For example, assume your house is between where you work and where your unit drills are held; if you take your uniform with you to work in the morning and go directly from work to a sea cadet drill in the evening, then home afterward, you can only deduct the round-trip mileage from your home and the drill site, not the extra miles from work. If you went back to work before going home, you could deduct the round trip from work.

The current rate for use of your vehicle is 14 cents per mile. Your records should show the place, date, mileage, and activity. Odometer readings are not required but can be recorded if you so choose. If your actual expenses are more than 14 cents per mile, you may deduct the actual expenses for gas, oil, windshield washer fluid, etc. Your records must show the actual amount spent. You may also deduct parking fees and tolls paid for an NSCC event in addition to the 14 cents per mile or actual expenses.

The cost for repairs and general maintenance for your vehicle is not deductible even if your vehicle was damaged while performing service as an NSCC officer or instructor. You also cannot deduct any portion of the insurance, license fee or depreciation, even if the vehicle is only used for NSCC activities.

### **Public Transportation**

Travel expenses for NSCC trips away from home may be deducted if you are a leader supervising youth in a genuine and substantial sense. This includes costs for train fare, bus fare, airfare, taxi fare, airport shuttle, rental cars, etc.

The IRS rules say that such costs can be deducted as long as "there is no significant element of personal pleasure, recreation, or vacation in such travel." The rules do not define what is a significant element. However, their examples lead you to believe that you must be on duty at least half the time.

If you are one of the adult leaders required by NSCC rules for an event, you are on duty for the entire event. If you are not one of the required leaders but still perform as a leader for the majority of the time of an event, you are also covered.

Having fun on an NSCC trip does not disqualify you from deducting the cost of the trip. What matters is that you must serve in a true adult leadership capacity. If you simply attend an event as an observer, or as a non-required adult, and do not have a significant part in organization, program, or responsibility for youth, your costs are not deductible.

If you combine a personal vacation with an NSCC trip, where you are not with the Cadets for a period of time before, after, or during the main part of the trip, it is very likely that part or all of the costs for the trip will not be allowed as a charitable deduction because you were not serving as a leader during this time.

## **Meals**

Reasonable costs for your meals are deductible if in connection with an NSCC trip away from home. This includes the cost of food for campouts, restaurant meals, snacks, sodas, etc. For meals to be deductible, the trip must include an overnight stay away from home. Please note that, unlike expenses for business meals, the cost for meals at NSCC events away from home are 100% deductible for leaders. Cost for meals for an activity that does not involve an overnight stay is not deductible.

## **Pancake Breakfasts, etc.**

The cost for pancake breakfasts, spaghetti dinners, and other such fundraisers can only be deducted if you purchase a ticket as a donation and return the ticket for resale. If you attend, and the cost is more than what a similar meal would cost elsewhere, you can deduct the difference; otherwise, you cannot deduct it.

## **Banquets, Dinners, etc.**

The cost for recognition banquets, dinners, etc. are, in general, not deductible. However, if the event is for fund raising, the amount you pay above the normal cost for the meal is deductible. Also, if a set percentage of the cost is allocated to a general fund to support the NSCC, or is allocated for other costs that are deductible, this portion is deductible.

## **Ceremonies**

The costs of items that you provide for ceremonies recognizing Officers and Cadets, such as changes of command, annual inspections, recognition ceremonies, etc., is deductible. This includes awards, decorations, and other such items.

## **Accommodations**

The cost you pay for a motel room, BOQ/BEQ charges, camping, or other accommodation fee while serving as a leader on an NSCC trip is deductible.

## **Administrative Fees**

If you pay your yearly registration fee yourself, it is deductible, if you have to pay a fee for fingerprinting or any other similar service as part of your registration, this fee is also deductible.

## **Event Fees**

Leaders fees for summer escort duties, shipboard training, conferences, basic leadership training, etc. are deductible.

## **Admission Fees**

Your fees for admission to parks, museums, art galleries, exhibitions, and other similar cultural / educational activities that you visit as the leader of an NSCC event are deductible. Your costs for athletic events, movies, and other forms of entertainment are not deductible. If you pay for underprivileged youth that have been selected by your unit to attend these events, the costs you pay for them are deductible.

## **Tips for Service**

Tips you give to waiters, guides, porters, bus drivers, bellboys, maids, and other service personnel while serving as a leader on an NSCC trip are deductible.

## **International Travel**

If you are an officially designated leader for an international NSCC trip, the costs for required travel documents, immunizations, entry fees, exit fees, and other similar ancillary costs associated with the trip, are deductible.

## **Communications**

The cost for long-distance phone calls, cellular phone calls, fares, postage, printing, envelopes, thank-you notes, and other communications expenses directly related to the performance of your duties as an NSCC leader are deductible. You cannot deduct any portion of the base rate you pay for basic telephone service, even if your phone is mostly used for NSCC activities.

## **Facilities**

Your fees for showers, pool use, boat docking, and other such facilities are deductible if they are part of an NSCC event.

## **Supplies**

The cost of materials used in Cadet activities (rope, drill pieces, color guard gear, semaphore flags, etc.) is deductible, as is the transportation needed to purchase such items.

## **First Aid Supplies**

The cost for First Aid supplies bought in preparation for an NSCC trip is deductible. The cost for medical services and supplies you receive for an injury that you suffer on an NSCC trip is not deductible under charitable contributions. This must go under normal medical expenses.

## **Photography**

The cost for photographs, slides, video film, and audiotapes that you use in the performance of your duties as an NSCC leader for the publicity and documentation of NSCC events is deductible. This includes material bought for showing at drills, poster displays, newspaper articles, etc. The cost for these same items is not deductible if bought for your personal use and enjoyment. These items must be used in your capacity as an NSCC leader to be deductible.

## **Uniforms**

The costs for uniforms, patches, hats, insignia, nametags, and other uniform parts are fully deductible provided that they are not of general utility or wear. The cost of upkeep, e.g., washing, dry cleaning, etc. is also deductible. The costs for uniforms, patches, pins, insignia, etc. that are bought for collection or trading is not deductible. However, if such items are later donated to a military museum or similar non-profit group, their fair market value at the time of donation may be deducted.

Patches and other NSCC memorabilia that are sold as fundraisers for NSCC activities are deductible to the extent that the cost exceeds the fair market value of the items purchased.

## **Instruction**

Instructional materials (books, charts, maps, etc.) that you purchase for use in the education of Cadets is deductible. Fees for instructional courses taken to better qualify you as an NSCC officer or instructor, or to prepare you for activities that you will be doing with your NSCC unit, are deductible. Examples include lifesaving, CPR, boating, etc.

## **Preparatory Materials**

Background materials that you purchase for and use in instruction and preparation for an NSCC activity (e.g., books on marlinespike seamanship in preparation for unit flagship competition, or language books and tapes for a cadet trip to a foreign country). These same items are not deductible if you buy them for your personal use. You must be using them to provide service to youth for them to be deductible.

## **Computer-Related Expenses**

If you publish a unit newsletter or use a computer in other ways in the performance of your duties as an NSCC officer or instructor, you will probably have some computer-related deductible expenses. These would include the cost of paper, toner, ribbons, labels, NSCC related software, etc. If the computer is used for other purposes, some of these expenses will have to be prorated. If you use an on-line-service in the performance of your duties as an NSCC leader; for example, to plan trips away from home, to obtain resource material, to obtain advice on NSCC related problems, you may deduct that portion of the fees for this service that you use in the performance of your NSCC duties. Remember, if you plan to deduct such expenses, you will need to keep records that can substantiate your NSCC usage of such a service. A daily logbook of time and usage would suffice.

## **Purchases at Fund-Raising Events**

If you purchase goods that are sold at a fund-raising event, you may only deduct the difference between what you paid for the item and its fair market value. For example, if you purchase a candy bar for \$1.00 and it is normally sold in stores for 50c, you may deduct 50c as a donation. You may deduct this amount even if you buy the candy bar for someone else. If you have your car washed at a fund-raising event, you can only deduct the amount above what the fair market value of a car wash is in your area.

Raffle tickets are not deductible.

## **Donation of Property**

If you donate property to an individual NSCC unit, that unit should be registered as a nonprofit 501(c)(3) organization with the IRS for the donation to be deductible. If the unit is not so registered but its sponsor is, you can make the donation to the sponsor with the direction that it is for the NSCC unit.

The donation of property, stocks, and other similar items given to Corps, or to a qualified unit, can usually be deducted at their fair market value. Check with NHQ, IRS Publication 526 and your tax advisor.

Used equipment that is donated to the Corps or to a qualified unit is deductible at its fair market value at the time of donation. New equipment that is bought for a unit is deductible at its purchase price if it is donated shortly after purchase and has not been used personally.

## **Use of Property**

If you let the unit use your property (boat, car, pool, trailer, motor home, vacation home, office building, etc.), you may deduct the actual out-of-pocket operating expenses (fuel, utilities, etc.) associated with this use. You cannot deduct the estimated rental value for the use of the property. You also cannot deduct any loss in value due to damage that may happen because of its use; at least, you cannot deduct it under Charitable Contributions.

## **Donation of Food**

Donations of food for a unit sponsored food drive can be deducted for what the food costs at a grocery store. If you make a special trip to purchase the food, the mileage for the trip is also deducted.

## **Premiums Received**

If you make a donation to the Corps or to a qualified unit and receive a premium of significant value (more than just a thank-you cup). The value of this premium must be deducted from your donation or claimed as income.

## **Partially Reimbursed Expenses**

If you are partially reimbursed for expenses you incur as an NSCC officer, you may deduct the difference between your cost you paid and the amount you are reimbursed. If you received more than the actual cost, this is income.

## **Youth Expenses**

The expenses you pay for Cadets that are family members are not deductible. Expenses you pay for Cadets who are not family members are deductible if you pay this money to your unit and these Cadets are selected by your unit to receive assistance. Expenses you pay for other adults to provide service are not deductible.

## **Personal Services**

You cannot deduct the value of your personal time contributed to NSCC activities, even if you would normally be paid for the service you are giving.

## **Child Care**

You cannot deduct childcare expenses as a charitable contribution even if such service is necessary for you to do your volunteer work.

## **Record Keeping**

A reliable written record is required for IRS purposes. To be reliable, you must make the record at or near the time of the activity; or, you must have other proof of your participation in the activity. A marked up calendar with places, activities, mileage, etc. will suffice for records; but, a more organized record would be better. A unit calendar with annotations is also acceptable. Electronic instruments (computers, calculators,..) may be used to make these records as well as the normal methods of writing.

## **Receipts**

Make it a practice to keep receipts for all NSCC related expenses. Put them in an envelope and keep them with your other tax records.

Receipts are needed for all contributions and out-of-pocket expenses that are more than %250. If you have out-of-pocket expenses that exceed this amount, e.g., for transportation to an NSCC event that is not directly paid to the Corps, training activity or unit, you need to keep the receipts for the travel and have documentation from the Corps, training activity or unit that you were serving in a leadership capacity for the trip.

## **Payments that Cross Years**

If you are a leader in an event that crosses over tax years (such as basic training held over the New Year school break), or if you pay fees this year for an event that will happen next year, you need to claim the expenses in the year that they are paid. Payments made by a bank credit card, debit card, or electronic transfer are deductible in the year you make the transaction. Payment for goods or services billed to you by a merchant, telephone company, etc. is deductible in the year you pay the bill.

## **Parent Leaders**

If you are a parent of a Cadet that is included in the unit or units that you give service to, you should be aware that in some circumstances the IRS has determined that such a parent was involved only to make sure that the program was available to their child. If such a determination is made, most or all of what would otherwise be a deductible charitable expense could be disallowed.

If audited, you should be prepared to show how your service is of benefit to other youth and the group as a whole.

Examples of this include being a division officer or classroom instructor, being a leader in events that your child is not involved in, helping leaders in other units, etc.

## **If You are Audited**

If you have been honest in what you have claimed as NSCC related deductions and had kept good records that substantiate these deductions, you have nothing to worry about if you are audited. The majority of disallowed charitable deductions are because of inadequate records that cannot be substantiated.

If your auditor should disagree with you on the deductibility of an item you have claimed as a deduction and you believe it is a valid deduction, you have the right to demand an on-the-spot conference with the auditor's superior. It is to your advantage to do this.

In all negotiations, it is important to be respectful, honest, and courteous; something you are probably well used to doing. Being argumentative and defensive is not to your advantage.

## **Caveat**

The information provided here is believed to be correct and accurate at the time this paper was prepared. However, Tax laws and the publications describing them are often vague or incomplete. Because of this, they are open to different interpretations by different people. It is not unusual to receive several different answers to a single tax question if the answer is not explicitly spelled out in the law or supporting publications.

Any charitable deduction you claim is your responsibility. If you have any doubt as to the deductibility of an expense you are thinking of claiming, check with your tax advisor.

If you know of cases or tax rulings that disagree with information stated here, have additional information that should be added, or if you have noticed any inaccuracies in the above information, please report them to the person currently maintaining this document:

Thomas N. Turba (E-mail: [turba@rsvl.unisys.com](mailto:turba@rsvl.unisys.com)) prepared the initial document for Scout leaders, which is available on the internet at: <http://www.explorer.org/taxes.W>. With his kind permission it was modified for use by the Naval Sea Cadet Corps by LCDR Keith K. Kohanzo (E-mail: [cskkk@eiu.edu](mailto:cskkk@eiu.edu)). Reprinted in its modified form by permission of Mr. Turba, who is not responsible for the accuracy of information relating to the Naval Sea Cadet Corps.

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