

PBPA Podcast Transcript
Mobile Money: The Nonprofit's Legal Guide to
Payment Platforms for Fundraising
(14:15 minutes)



Sireesha ([00:00](#)):

In an era where technology has become an integral part of our daily lives, digital fundraising offers a dynamic and efficient approach for nonprofit organizations. From PayPal to Venmo, to Cash App, to whoever is the next popular payment app. These digital platforms definitely make it easier to transfer money, but when using digital payment systems for donations, nonprofits have several legal considerations to be aware of. Join us in this episode of the P B P A podcast as William Stone outlines those legal considerations to ensure your nonprofit's compliance with relevant fundraising laws.

Sireesha ([00:48](#)):

Hello and welcome to the PBPA Podcast. In each episode of the PBPA Podcast, we explore legal questions relevant to Georgia nonprofits. I'm your host Sireesha Ghanta, Counsel and Education Director at the Pro Bono Partnership of Atlanta. PBPA strengthens our community by engaging volunteer attorneys to provide nonprofits with free business legal services. We provide numerous free resources via our website, including articles and webcasts specific to Georgia nonprofits and their business legal concerns. We also provide direct legal services to our clients. For more information on client eligibility requirements, to apply to be a client or to access our vast learning center, visit our website at pbpatl.org. Before we jump into this episode's topic, keep in mind that this podcast is general information, not legal counsel. Contact your attorney for guidance on your nonprofits' specific situation.

Sireesha ([01:57](#)):

Williams Stone is a tax controversy attorney with the law firm of Morris Manning and Martin in Atlanta. He regularly advises clients in all phases of federal and state tax controversies, including tax audits, tax appeals, and court proceedings. William has also served as a law clerk in the United States Tax Court. William, thank you so much for being here to chat with us today.

William ([02:22](#)):

Yeah, thanks for having me.

Sireesha ([02:24](#)):

So let's set the stage here. Talk about, is it legal for a 501(c)(3) to receive donations via a platform such as PayPal, Venmo, or Cash App?

William ([02:37](#)):

Yeah. So to give an annoying lawyer answer, maybe, uh, it is legal to receive the donations that way, but each state has different solicitation requirements that you'll make sure you want to be in compliance with. And for your, the person who is giving the donation, you'll wanna make sure that you also send them a written acknowledgement for their donation to ensure that they're allowed to get the deduction. But for, from a purely a standpoint of can you receive donations that way? Yes, yes, you can.

Sireesha ([03:08](#)):

Yeah. So as nonprofits are using our digital payment systems to do more fundraising, and they might be reaching more donors outside of the state of Georgia, they need to be aware and cognizant of potential obligations to register for charitable solicitation in those other states. P B P A has resources related to charitable solicitation, and so I will include a link to that on the page on our website for this episode. Um, and William, is there anything specific that nonprofits should be aware of between the different platforms, or are they all kind of operate the same way?

William ([03:50](#)):

It, it's hard to speak to that. I, I, before this podcast, I kind of looked at everything. PayPal, for example, has a way to set it up. You have a donate button on PayPal. Uh, I've never used Cash App actually in practice. I use Venmo all the time. Venmo is just a transferring of funds. So, so each one kind of operates a little differently, but the functionality is still the same. You can receive donations through that, but you just need to make sure that you're in compliance with the nonprofit solicitation rules in the state where the donation is coming from. And also you'll wanna make sure that you give a written acknowledgement to the person donating money to you, uh, for for multiple reasons. It's, it's goodwill. They get to see what their money's going towards potentially and, and just kind of build loyalty to your nonprofit to hopefully keep getting donations.

Sireesha ([04:42](#)):

Yeah. So it sounds like it's really important for the nonprofit to kind of look through the terms and conditions as they decide what, whether they're gonna use PayPal or Cash App to know what is each one about. And be sure to use an account in the name of the nonprofit organization. It should not be in the name of one of the employees or a board member. The org payment app account should be that of the organization, and it should be linked to the bank account of the, the nonprofit.

William ([05:15](#)):

Absolutely. And I, I looked at Cash App specifically and they say, you know, donations made through their platforms are not tax deductible. Mm-hmm. <affirmative> Cash app isn't the arbiter of what is and isn't deductible. Mm-hmm. So while they say that, I think it's more of a "CYA" type of situation, not necessarily that you can't do the donations, I don't, I don't see any way that if, if you follow all of the steps that I spoke about previously, why you couldn't use Cash App.

Sireesha ([05:42](#)):

So you would be, nonprofit would be using Cash App just to kind of transition the money from person to nonprofit, but as long as the nonprofit does the additional steps that you mentioned, then it could be considered a donation.

William ([05:56](#)):

Sure. And like anything with your personal life or anything, you need to keep good books and records, right? So, as you get donations, make sure that you're keeping up with these things. And some of the solicitation rules may have a limit or may maybe you're exempt, so you need good books and records kept, but yeah, cash App essentially functions the same as, as Venmo is my understanding. So you, you can receive the donations, and again, I'll, I'll re-hit on the, if, if someone wants a deduction, the person who is sending you the donation, you, you need to make sure that you follow the written acknowledgement requirements so that that person can receive their donation or deduction from their donation.

Sireesha ([06:34](#)):

Yeah. And, we, PBPA has some resources that specifically outline what those written acknowledgement requirements are. So I'll include a link to that, um, on the episode page. Um, and William, what should nonprofits keep in mind? Fundraising via the sale of goods or services?

William ([06:56](#)):

Yeah, so it, that's not a straight donation, right? You, you are not just donating money, you're receiving something for the amount of money that you're giving.

Sireesha ([07:07](#)):

And from a financial perspective, there are several considerations when collecting payment for goods or services, such as, does the payment system address require sales tax collection issues? Because as a nonprofit tax exempt organization in Georgia, you are almost always still required to collect sales tax. And you should also look into, does the online payment system have proper transaction recording mechanisms, um, which is very important to have for accounting purposes. And William, are there any specific tax implications that nonprofits should be aware of if they're using these platforms for fundraising?

William ([07:51](#)):

So as a tax attorney, I don't do people's tax returns. I'm not an accountant unfortunately, so I, I'd always say, Hey, get with an accountant and make sure, so I, I'd always say, Hey, get with your accountant and talk to them from a pure standpoint of, of is there a difference in someone giving you cash versus doing it on Venmo in a tax terms for a donation? I, I don't believe so.

Sireesha ([08:14](#)):

So if a nonprofit is going to shell out money, um, and pay for a payment processing system, do you have any suggestions on what they should look for in a potential vendor?

William ([08:28](#)):

So I, I, I used to work in IT prior to law school. So like with any IT, security and privacy is the most important. Obviously, you're gonna be needing to get people's information and you're giving up your own information. Your bank account for your nonprofit is gonna be tied to this. So as you receive these donations, the, the service you're using will have your bank information. So security and privacy is to me going to be number one. Number two would be the records for your own filings and for what you're gonna send out to the people who have donated to your organization. You'll wanna be able to do that in a, a simple manner. And, and hopefully that would provide the written acknowledgement that we talked about earlier. Whereas if you could have a service that generates that written acknowledgement to send it out to the person donating, that just takes something off your plate that you necessarily don't have to deal with if, if that's available.

Sireesha ([09:22](#)):

And once again, one thing that we always remind our nonprofits about is their application to collect sales tax. Um, does your payment processing system that you're using for the sale of goods or services, uh, take care of that. Does it charge, does it collect sales tax? Does it track it? All right. Well, William, those are all the questions that I have for today. Thank you so much for sharing your time and expertise

with us. I think armed with this information, Georgia Nonprofits will definitely be able to navigate these digital payment platforms and maintain compliance and hopefully build trust with their donors.

William ([10:02](#)):

Yeah, hopefully they will. And as technology changes, uh, I'll say the services and always the quickest to catch up to the changes in technology. So it's always an important topic, and I appreciate you having me on the talk about it.

Sireesha ([10:14](#)):

We hope that you found this episode of the PBPA Podcast to be informative and helpful. We add new episodes every month with short conversations about general, yet important legal information for Georgia nonprofits. Remember that this is not legal counsel. Talk to your attorney about your organization's specific concerns. Thanks for tuning into the PBPA Podcast. And to all nonprofits listening out there, thank you for all the good work you continue to do in our community.