INSTRUCTIONS FOR QUESTIONNAIRE

Question 5 (Applies to all current and former Officers, Directors, Trustees, and Key Employees)

At any time during the tax year did we make any payments for any “business transaction” with you or any “interested person”?

Part IV Business Transactions Involving Interested Persons

Report in Part IV business transactions for which payments were made during the organization’s **tax year** between the organization and an interested person, if such payments exceeded the reporting thresholds described below, and regardless of when the transaction was entered into by the parties. In general, an organization must report in Part IV with respect to an interested person if: (1) all payments during the year between the organization and the interested person exceeded $100,000; (2) all payments during the year from a single transaction between such parties exceeded the greater of $10,000 or 1% of the filing organization's total revenues; or (3) **compensation** payments by the organization paid to a **family member** of certain persons exceeded $10,000.

See the reasonable effort instruction, below, applicable to Part IV. Special rules permit individual or aggregate transaction reporting.

Business transactions. Business transactions include but are not limited to contracts of sale, lease, license, and performance of services, whether initiated during the organization’s **tax year** or ongoing from a prior year. Business transactions also include **joint ventures**, whether new or ongoing, in which either the profits or capital interest of the organization and of the interested person each exceeds 10%. The organization’s charging of membership dues to its **officers**, **directors**, etc. are not considered business transactions for purposes of Part IV.

Interested persons. An interested person for purposes of Schedule L, Part IV is a current or former **officer**, **director**, **trustee**, or **key employee** listed in Form 990, Part VII, Section A, or any of the following:

- A **family member** of a current or former officer, director, trustee, or key employee listed in Form 990, Part VII, Section A
- An entity more than 35% owned, directly or indirectly, individually or collectively, by (1) one or more current or former officers, directors, trustees, or key employees listed in Form 990, Part VII, Section A, and/or (2) their family members
- An entity (other than a tax-exempt organization under section 501(c)) of which a current or former officer, director, trustee, or key employee listed in Form 990, Part VII, Section A was serving at the time of the transaction as (1) an officer, (2) a director, (3) a trustee, (4) a key employee, (5) a partner or member with an ownership interest in excess of 5% if the entity is treated as a partnership, or (6) a shareholder with an ownership interest in excess of 5% if the entity is a professional corporation

Certain management company transactions with former officers, etc. A business transaction reportable in Schedule L, Part IV also includes a transaction between the organization and a **management company** of which a former **officer**, **director**, **trustee**, or **key employee** of the organization (within the last five **tax years**, whether or not listed in Form 990, Part VII, Section A) is a direct or indirect 35% owner, or an officer, director, trustee, or key employee.

Ownership. Ownership is measured by stock ownership (voting power or value, whichever greater) of a corporation, profits or capital interest (whichever greater) in a partnership or limited liability company, beneficial interest in a trust, or control of a nonprofit organization. Ownership includes indirect ownership (e.g., ownership in an entity that has ownership in the entity doing business with the organization); there may be ownership through multiple tiers of entities. The constructive ownership rules of section 267(c) apply for this purpose.

Reporting thresholds. In reporting transactions in Part IV, the organization is not required to report transactions with an individual or organization for a dollar amount that did not exceed the greater of $10,000 or 1% of the organization's total revenue for the organization's **tax year** (the amount reported in Form 990, Part VIII, line 12, column (A)), except in either of the following cases:

(1) total payments for all transactions between the parties during the organization's tax year exceeded $100,000 (in such case, report all transactions between the parties regardless of the individual amounts of such individual transactions)
(2) the transaction was the organization's payment of **compensation** to a **family member** of a current **officer**, **director**, **trustee**, or **key employee** of the organization (in such case, payment of **reportable compensation** must be reported if in excess of $10,000 for the organization's tax year).

Aggregate all payments during the tax year between the parties under the same contract or transaction. For instance, if a director of the organization is a greater than 5% partner of a law firm (or greater than 5% shareholder if the law firm is a professional corporation) and the organization pays the law firm an amount of more than 1% of the organization's total revenue during the organization's tax year under a contract for a particular case or legal matter (if the amount exceeds $10,000), treat all payments under such arrangement as a single reportable business transaction.

Aggregate reporting. The organization may aggregate multiple individual transactions between the same parties, or list them separately. If aggregation is chosen, report the aggregate amount in column (c) and describe the various types of transactions (e.g., "consulting," "rental of real property") in column (d).

Exceptions. Do not report the following in Part IV:

- **excess benefit transactions** reported in Schedule L, Part I;
- loans reported (or not required to be reported) in Schedule L, Part II;
- grants and other assistance reported (or not required to be reported) in Schedule L, Part III (however, this exception does not apply to transactions covered by the business transaction exception described in Part III instructions, above; such transactions may need to be reported in Part IV); or
- **compensatio**n reported in Form 990, Part VII, Section A.

Examples:

Example (1). T, a family member of an officer of the organization, serves as an employee of the organization and receives during the organization's tax year compensation of $15,000, which is not more than 1% of the organization's total revenue. The organization is required to report T's compensation as a business transaction in Schedule L, Part IV because T's compensation to a family member of an officer exceeds $10,000, unless T's compensation were already reported in Form 990, Part VII.

Example (2). X, the child of a current director listed in Form 990, Part VII, Section A, is a first year associate at a law partnership that the organization pays $150,000 during the organization's tax year. Given that X has no ownership interest in the law firm and is not an officer, director, trustee, or key employee of the firm, the organization is not required to report this business transaction in spite of X's employment relationship to the law firm.

Example (3). Same facts as in Example (2), except that X is a partner of the law firm and has an ownership interest in the law firm of 5.25% of the profits. The organization must report the business transaction due to X's greater than 5% ownership interest in the law firm and the dollar amount in excess of the $100,000 aggregate threshold.

Example (4). Same facts as in Example (3), except that the law firm entered into the transaction with the organization before X's parent became a director of the organization. The organization must report all payments made during its tax year to the law firm for the transaction.

Example (5). Same facts as in Example (3), except that X is the child of a former director listed in Form 990, Part VII, Section A. The organization is required to report the business transaction, as family members of former directors listed in Part VII are interested persons.

Example (6). Same facts as in Example (3), except that the organization pays $75,000 in total during the organization's tax year for 15 separate transactions to collect debts owed to the organization. None of the transactions involves payments to the law partnership in excess of $10,000. The organization is not required in this instance to report the business transaction, because the dollar amounts do not exceed either the $10,000 transaction threshold or the $100,000 aggregate threshold.

Example (7). Same facts as in Example (6), except that the organization pays $105,000 instead of $75,000. Because the aggregate payments for the business transactions exceed $100,000, the organization must report all the business transactions. The organization may report the transactions on an aggregate basis or list them separately.

Column (a). Enter the name of the interested person involved in the direct or indirect business relationship with the organization.

Column (b). State the relationship between the interested person and the organization, such as, for example:

- **key employee** of the organization
- **family member** of Freda Jones, former director
- entity more than 35% owned by (1) Freda Jones, former director, and (2) Lisa Lee, President
- partnership more than 5% owned by Freda Jones, former director

Column (c). The dollar amount of the transaction is the cash and/or fair market value of other assets and services provided by the organization during the **tax year**, net of reimbursement of expenses.

Column (d). Describe the transaction(s) by type, such as employment or **independent contractor** arrangement, rental of property, or sale of assets.

Column (e). State "Yes" if all or part of the consideration paid by the organization is based on a percentage of revenues of the organization. For instance, state "Yes" if a management fee is based on a percentage of revenues, or a legal fee owed to outside attorneys by a public interest law firm is a percentage of the amount collected.

Reasonable effort. The organization is not required to provide information about a business transaction with an interested person if it is unable to secure the information regarding interested person status after making a **reasonable effort** to obtain it. An example of a reasonable effort for Part IV is for the organization to distribute a questionnaire annually to each current or former **officer**, **director**, **trustee**, and **key employee** listed in Form 990, Part VII, Section A that includes the name, title, date, and signature of each person reporting information and contains the pertinent instructions and definitions for Schedule L, Part III. The organization is not required to distribute such a questionnaire to organizations or individuals with which it does business, but who are not current or former officers, directors, trustees, or key employees of the organization, in order to have made a reasonable effort for this purpose.