

Joint Venture Policy

Policy: Washington Vaccine Association (the "Association") has been established by act of the Washington Legislature for the purpose of collecting and remitting adequate funds from health carriers and third-party administrators for the cost of vaccines provided to certain children of the state of Washington. The Association will comply fully with all laws that relate to the conduct of its activities, including all tax law.

Purpose: The Association is a public charity determined to be exempt from federal income tax under section 501(c)(3) of the Internal Revenue code. As a tax-exempt organization, the Association would need to evaluate its participation in joint venture arrangements and take steps to safeguard the Association's exempt status with respect to such arrangements. The policy is adopted to fulfill such need, even though the Association may not be likely to engage in joint ventures. This policy applies to any joint ownership or contractual arrangement through which there is an agreement to undertake a specific business enterprise, investment, or exempt-purpose activity jointly with another party as further defined in this policy.

Definition of Joint Venture: For purposes of this policy, a joint venture or similar arrangement (or a "venture or arrangement") means any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity without regard to:

1. Whether the Association controls the venture or arrangement;
2. The legal structure of the venture or arrangement; or
3. Whether the venture or arrangement is taxed as a partnership or as an association or corporation for federal income tax purposes.

A venture or arrangement is not subject to this policy if it meets both of the following conditions:

1. 95% or more of the venture or arrangement's income for its tax year ending within the Association's tax year is excluded from unrelated business income taxation (including but not limited to: (i) dividends, interest, and annuities; (ii) royalties; (iii) rent from real property and incidental related personal property except to the extent of debt-financing; and (iv) gains or losses from the sale of property); and
2. The primary purpose of the Association's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

Procedures:

Participation in a venture or arrangement, particularly those with taxable persons, has the potential to adversely affect the tax-exempt status of the Association as a result of private benefit, private inurement, excess benefit transactions, and activities not suitable for a 501(c)(3) organization. Participation can also result in unrelated business income. To protect itself from such possible adverse consequences, the Association will:

1. determine that participation in the potential venture or arrangement furthers the Association's charitable purpose,
2. negotiate in its transactions and arrangements with other members of the venture or arrangement terms and safeguards adequate to ensure that the Association's exempt status is protected,
3. assess the potential venture or arrangement (and persons associated with the venture or arrangement) to identify possible conflicts of interest in accordance with its conflicts of interest policy,
4. evaluate the institutional and project risk associated with the venture or arrangement,
5. consider whether proceeds from the venture or arrangement may be characterized as unrelated business income,
6. define in writing the relationship between the Association and the other members of the venture or arrangement,
7. consult with knowledgeable legal counsel regarding how to structure and operate the venture or arrangement so it does not endanger the Association's tax-exempt status, and
8. take all steps necessary to safeguard the Association's exempt status with respect to the venture or arrangement.

Examples of "terms and safeguards" contemplated by subsection (2), above, include provisions:

- a. granting control over the venture or arrangement to the Association sufficient to ensure furtherance of the Association's charitable purposes,
- b. requiring the venture or arrangement to give priority to exempt purposes over maximizing profits for the other participants,
- c. requiring investment returns to be proportional to a member's investment,
- d. preventing the venture or arrangement from engaging in activities that would jeopardize the Association's tax-exempt status,
- e. requiring all contracts entered by the venture or arrangement to be entered into at arm's length and reflect commercially reasonable terms, or, in the case of contracts with the Association, reflect terms more favorable to the Association, and Control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the Association;
- f. allowing public disclosure of financial or other information required to be reported by the Association to maintain its tax-exempt status.