

## ACMP Pacific Northwest Chapter (ACMP PNW)

### Private Inurements Policy<sup>1</sup>

#### I. Background

Non-profit charitable, religious, and educational organizations obtain their tax-exempt status under the theory that they perform valuable services for society and lessen the burdens of government. If a tax-exempt organization allows its money or other property to be used for private rather than public gain (i.e., for "private inurement" or "private benefit"), then it risks losing its exemption. In addition, under recently adopted "intermediate sanctions" provisions of the Internal Revenue Code, "disqualified persons" such as CEOs, CFOs, board members, major donors doing work for the exempt organization, etc., who receive "excess benefits" are subject to an excise tax ranging from 25% to 200%, depending on the circumstances. Furthermore, any organizational manager who knowingly facilitates such an excess benefit is subject to a 10% tax.

#### II. What is Private Inurement or Private Benefit?

"Private inurement" is the payment or diversion of an exempt organization's assets to its officers, directors, employees, relatives, friends, major donors, or others in a special relationship to the organization who can influence or control the policy or the day-to-day activities of the organization for less than full and adequate consideration.

Private inurement also extends to the use of organizational assets for "private benefits" such as sales, leasing, construction contracts, service transactions, etc., at other than fair market value or the exploitation of the exempt organization for the benefit of a private business (e.g., "sweetheart deals," promotional schemes, and/or giveaways to private individuals or businesses).

#### III. Policy

The purpose of this private inurements policy is to ensure that the ACMP Pacific Northwest Chapter is fulfilling its responsibilities to act as a competent and trustworthy steward of its resources and is behaving in a way that is consistent with the following IRS requirement:

A section 501(c)(3) organization must not be organized or operated for the benefit of private interests, such as the creator or the creator's family, shareholders of the organization, other designated individuals, or persons controlled directly or indirectly by such private interests. No part of the net earnings of a section 501(c)(3) organization may inure to the benefit of any private shareholder or individual. A private shareholder or individual is a person having a personal and private interest in the activities of the organization.

To avoid the conferment of material private inurements or benefits in the types of transactions described above, the organization will enter into transactions solely to benefit the charitable purposes of the organization, rather than for a private party's benefit. The organization will exercise due diligence

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<sup>1</sup> Based upon a Private Inurements policy from the Washington Nonprofits Institute, [www.wanonprofitinstitute.org](http://www.wanonprofitinstitute.org), the educational arm of the Washington State Nonprofit Association, [www.washingtonnonprofits.org](http://www.washingtonnonprofits.org). As the state association for all nonprofits, Washington Nonprofits makes sure nonprofits have what they need to succeed through learning, advocacy, and collaboration.

to ensure that any proposed transaction is fair and reasonable. This means that the organization could not have obtained a more advantageous arrangement with reasonable effort.

The organization will ensure that the intent of this policy is carried out by:

- Screening proposed transactions through the applicable boards, advisory boards, and committees, and other processes set out in the organization's procedures
- Taking care that organizational policies and procedures pertaining to the signing of contracts are followed. (For example, the board may require contracts in excess of a certain amount or duration to be executed by the board rather than the executive director.)
- Putting in place additional procedures that may apply in connection with contract bids for building construction, renovation and repair projects.

Adopted by the Board of Directors on June 15, 2021