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Interested Person SunLight – the Reach of Form 990 Schedule L, Parts II-IV

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Interested Person SunLight – the Reach of Schedule L, Parts II-IV (a/k/a, Bare Minimum Necessary to Know re Schedule L Parts II-IV)

Understanding the overall PURPOSE of these three Parts is the first imperative. They are not designed to call out improper or inappropriate insider transactions. Their presence is nothing more than a *transparency mechanism by which reviewers of the Form 990 can see the extent to which a filer has disclosed the presence (or absence) or certain transactions undertaken with parties who are akin to “insiders.”* The resulting “sunlight”¹ that these three Parts are intended to shine on the disclosed (or should have been disclosed) transactions will motivate filers to want to manage such transactions appropriately. OR SO THE IRS HOPES . . .

¹ The term ‘sunlight’ is cribbed from U.S. Supreme Court Justice Louis Brandeis’ phrase speaking to the benefits of openness and transparency: “Publicity is justly commended as a remedy for social and industrial diseases. Sunlight is said to be the best of disinfectants...” (emphasis added)

Parts II – IV BASICS:

Who is an “Interested Person” (IP); The Parts’ Disparate Time Periods and \$\$-Thresholds; and Requirement to Apply Reasonable Efforts

Table 1: Definitions of interested persons for Sch. L’s Parts II – IV

Five definitional categories set out parties who hold IP status for these three parts . . .

Interested person is . . .	Part II	Part III	Part IV
1. A person who holds status on Form 990, Part VII, Section A as a current or former Trustee/Director, Officer, or Key Employee (hereafter, TDOKE)	Yes	Yes	Yes
2. A creator or founder of the filer	Yes	Yes	Yes
3. A substantial contributor (a donor of \$5,000 or more who is required to be reported e on Schedule B)	Yes	Yes	Yes
4. A <i>family member</i> ² of an individual with status as an IP via 1-3 preceding	Yes	Yes	Yes
5. A <i>35% controlled entity</i> ³ of one or more of the individuals or organizations captured as IPs via 1-4 preceding	Yes	Yes	Yes
<u>In addition</u> to those “harmonized” five categories, Parts III and IV have their own “additional” IP categories:			
*) A <i>management company</i> ⁴ in which a former TDOKE was, in the last five tax years (regardless of whether such person was required to be reported on Form 990, Part VII, Section A as a former TDOKE), an officer, director, trustee or a direct or indirect 35 percent owner	n/a	n/a	Yes
***) A member of the organization’s grant selection committee	n/a	Yes	n/a
****) An employee (or child of an employee) of a substantial contributor or of a <i>35% controlled entity</i> of such person, but only if the employee (or child of employee) received the grant or assistance by the direction or advice of the substantial contributor or designee or of the <i>35% controlled entity</i> , or under a program funded by the substantial contributor that was intended primarily to benefit such employees (or their children)	n/a	Yes	n/a

² Italics in this table are employed to reflect glossary terms; “family member” is addressed on page 4.

³ Italics in this table are employed to reflect glossary terms’ “35% controlled entity” is addressed on page 6.

⁴ Italics in this table are employed to reflect glossary terms. Further discussion in these materials of this term is brief. The glossary does note that “**Ownership for these purposes is measured by stock ownership (voting power or value, whichever is greater) of a corporation, profits or capital interest (which is greater) for partnerships/LLC, or beneficial interest in a trust.**”

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