

Compensation in the Context of Sections 4958 and 4960

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Section 4960: Tax on Excess Compensation

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Section 4960 Scenario – TechStreet Company and Foundation

TechStreet Company, a successful for-profit business, is a substantial contributor and founder of TechStreet Foundation. TechStreet Foundation is an organization described in Code Section 501(c)(3) classified as a private foundation. TechStreet Company is the sole member of TechStreet Foundation and has the power to appoint all of its directors. TechStreet Foundation has a board of five people, only two of whom are employees of TechStreet Company. TechStreet Company's CEO, whose compensation in 2022 was \$3 million, is a board member of TechStreet Foundation.

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Section 4960 Scenario – TechStreet Company and Foundation (cont.)

TechStreet Company's general counsel is the secretary of TechStreet Foundation, spending approximately one hour per week on her officer duties. TechStreet Company's assistant general counsel spends most of her time working on matters related to the Foundation. Her compensation in 2022 was \$800,000, with a bonus of \$300,000 that will not be paid out until February 2023. In 2022, TechStreet Foundation terminated its president and paid its president a total of \$2 million: \$1.6 million as an involuntary severance payment and \$400,000 in other taxable compensation.

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