



**IFMA**<sup>TM</sup>

International Facility Management Association

**Empowering Facility Professionals Worldwide**

## **Joint Ventures**

**Description:** This policy requires that the association evaluate its participation in joint venture arrangements under federal tax law and take steps to safeguard the Component's exempt status with respect to such arrangements.

**Purpose:** This policy applies to any joint ownership or contractual arrangement through which there is an agreement to jointly undertake a specific business enterprise, investment, or exempt-purpose activity as further defined in this policy.

**Governing Authorities:** Board of Directors

**Scope:** Conflicts, exceptions or departures from this policy should be reported to the Board of Directors and IFMA Headquarters.

### **1. Joint ventures or similar arrangements with taxable entities**

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 Component 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 disregarded if it meets both of the following conditions:

- (a) 95% or more of the venture's 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



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(b) the primary purpose of the Component's contribution to, or investment or participation in, the venture or arrangement is the production of income or appreciation of property.

## **2. Safeguards to ensure exempt status protection**

The Component will:

(a) Negotiate in its transactions and arrangements with other members of the venture or arrangement such terms and safeguards adequate to ensure that the association's exempt status is protected; and

(b) Take steps to safeguard the Component's exempt status with respect to the venture or arrangement. Some examples of safeguards include:

(i) control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the association;

(ii) requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;

(iii) that the venture or arrangement not engage in activities that would jeopardize the association's exemption; and

(iv) that all contracts entered into with the organization be on terms that are arm's length or more favorable to the association.

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