

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 intends to apply for tax-exempt status under 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:

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 disregarded if it meets both of the following conditions:

1. 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
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:

1. **Safeguards to ensure exempt status protection.** The Association 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 Association’s exempt status with respect to the venture or arrangement. Some examples of safeguards include:
 - a. Control over the venture or arrangement sufficient to ensure that it furthers the exempt purpose of the Association;

- b. Requirements that the venture or arrangement gives priority to exempt purposes over maximizing profits for the other participants;
- c. That the venture or arrangement not engage in activities that would jeopardize the Association's exemption; and
- d. That all contracts entered into with the Association be on terms that are arm's length or more favorable to the Association.