

service transaction. If, however, the amount of compensation is large, ranging over \$1,000, it is highly recommended that such contracts be in writing.

Gifts and Contributions - We have discussed charitable contributions in prior sessions of the seminar. In review, generally you will only transfer gifts or contributions from taxpaying bodies into tax-exempt organizations. Gifts or contributions are almost never accomplished from tax-exempt organizations to taxpaying entities. We do not recommend giving or contributing any property from a tax-exempt organization to a taxpaying organization.

Loans - The third most common method of income management is in the form of loans. Loans should always be evidenced by a written instrument. Generally a promissory note is the first step. Substantial loans should be secured by some property owned by the borrower. The lender should charge some interest of a reasonable nature unless the lender desires to make an interest-free loan to a tax-exempt organization. If the lender is a foundation or other tax-exempt organization and the borrower is a taxpaying entity, such as a trust or individual, then reasonable interest of at least 3% to 5% should always be charged. If the loan is for a substantial amount (generally