**The Nonprofit Revitalization Act - Related Party Transactions**

The new act prohibits an employee of a nonprofit corporation from serving as board chair or in any similar position with a different title.

Nonprofits and religious corporations can carry on transactions with related parties such as officers, directors or key employees, but only if they are in the Organization’s best interests. Additionally, the new rules require related parties to disclose material facts about the transaction to the board or an authorized committee.

The related party is not permitted to participate in deliberation or voting on these transactions.

The board should consider alternative transactions, and if they decide to proceed with the related party it should be by a majority vote of members present. Approval should be documented in board minutes or in another written form, and the documentation should include the basis for its decision including consideration of alternatives.

These new rules are not in effect yet but are generally effective July 1, 2014 with some provisions delayed until July 1, 2015, still they all represent best practices, and should be implemented as soon as possible.

The new act gives the Attorney General power to rescind or void related party transactions that are not in the best interests of the Organization. There is speculation about intensified enforcement with the appointment of James Sheehan as head of the Charities Bureau. His history as head of the New York State office of the Medicaid Inspector General included very substantial enforcement activities.