

FREQUENTLY ASKED QUESTIONS (FAQs)
AFFILIATE BUSINESS RELATIONSHIPS
Small Business and Small Business for the purpose of Public Works

1. What is the purpose of disclosing affiliate business relationships?
According to the California Code of Regulations, affiliate business relationships are considered when determining whether an applicant firm qualifies for Small Business (SB) and/or Small Business for the Purpose of Public Works (SB-PW).

2. What is affiliation?
Affiliation refers to a relationship of direct or indirect control or shared interests between the applicant firm, its owners/officers/members/managers/partners and another business.

3. What factors are considered in determining affiliation?
In determining affiliation, the following factors may be based on historical and current factors including, but not limited to:

- *ownership*
- *management*
- *financial and/or business relationships or ties with another business*
- *familial relationships*
- *contractual relationships, assignments, passage of title to goods or merchandise*
- *and other related matters as reflected in tax returns and other documentation.*

4. Do I have to disclose another business that I own and manage that is not in a related industry as the applicant business?
Yes, regardless of the industry type of the applicant firm.

5. What supporting documents are required when there is an affiliation between the applicant firm and another business?
The following documents for the applicant and any affiliate(s) business are required:

- *Three most recent federal tax returns*
- *Four most recent quarters – Employment Development Department (EDD-DE 9C forms) or another state’s equivalent report*

6. What are the required tax returns based upon years in business for the applicant and affiliate business?
See chart below:

Situati on	Applicant Years in Business	Applicant FTRs Required	Affiliate Years in Business	Affiliate FTRs Required
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1	3 years or more	3 most recent years	3 years or more	3 most recent years
2	3 years or more	3 most recent years	Less than 3 years	Per years in existence
3	Less than 3 years	Per years in existence	3 years or more	3 most recent years
4	Less than 3 years	Per years in existence	Less than 3 years	Per years in existence

7. I am no longer associated with another business that was considered an affiliate during the previous certification. Do I need to disclose the past affiliate?

Yes, the affiliate business still needs to be disclosed with, affiliation end date. OSDS will only require tax returns to the Affiliation end date and employee information (the four quarters for year the affiliation ended).

8. Do I need to count the seasonal and/or staffing employees for affiliate firm(s)?

Yes, for the applicant and affiliate firm(s), if the employees are reported on the firm's Employment Development Department (EDD) Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C forms) or reported as an employee by the firm on another state's report equivalent to the EDD DE9C form for the applicant or affiliate.

9. How do I calculate the average number of employees for the last four quarters?

Refer to the number of employees posted on your Employment Development Department Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C forms). Add the number of employees during last 12 months (four most recent quarters) and divide by 12 to obtain your average.

10. Is a subsidiary considered an affiliate?

Yes, a subsidiary will be determined as an affiliate. A subsidiary may file its tax information along with the applicant business/parent business or file separately. Either way, the GARs and employees must be accounted for the applicant and affiliate firm(s). OSDS may request the financials (profit and loss statement and/or balance sheet) to obtain gross annual receipts figures for the last three completed tax years.

11. If a business that owns a percentage of the applicant firm, is it considered an affiliate?

Yes, based primary on shared ownership and/or management of the business(es).