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Department of the Treasury

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PLR-102673-25

Date:

September 10, 2025

Legend

Trust	=
Foundation	=
Asset A	=
Transaction A	=
Date	=

Dear :

This letter responds to a letter dated February 3, 2025, and subsequent correspondence submitted on behalf of Foundation, in which Foundation requested a private letter ruling involving sections 507, 4940, 4941, 4942, 4944, and 4945 of the Internal Revenue Code.¹

BACKGROUND

Foundation and Trust are recognized as organizations described in section 501(c)(3) and classified as private non-operating foundations under section 509(a). Foundation was created as a state nonprofit corporation. Trust was established as a charitable trust under state law with Foundation as sole beneficiary. Trust's purpose is to make distributions of its entire net income to Foundation and to fund additional grants out of corpus as requested by the trustees of Foundation for Foundation's charitable purposes

¹ Unless otherwise noted, all references in this letter ruling to "section" refer to The Internal Revenue Code of 1986, as amended.

until the assets of Trust are exhausted. Trust exercises expenditure responsibility as described in Treas. Reg. § 53.4945-5(b) on its annual grants to Foundation.

Trust is overseen and administered according to a trust agreement. Trust has four trustees - three individual trustees, and one corporate trustee. Foundation has the right to appoint Trust's corporate trustee and to approve by a two third's vote of Foundation trustees all other trustees of Trust. In addition, the trust agreement requires at least one trustee of Foundation to serve as a trustee of Trust. Foundation has the right to amend the trust agreement except as such amendments relate to Foundation's eligibility as a beneficiary of Trust. Trust and Foundation represent that Trust and Foundation are therefore effectively controlled by the same person or persons within the meaning of Treas. Reg. §§ 1.507-3(a)(2)(ii) and 1.507-3(a)(9)(i).

Trust has no living substantial contributors, and none of the family (as defined in section 4946) of any deceased substantial contributors are trustees of Trust. All of Trust's trustees in their roles as foundation managers are disqualified persons of Trust as defined in section 4946(a)(1)(B).

Trust owns a variety of assets including Asset A. Trust anticipates that in conjunction with Transaction A, Trust will receive cash in exchange for its ownership interest in Asset A.

Foundation's Board of Trustees and the trustees of Trust have determined that following the completion of Transaction A, Trust's separate existence will no longer be required or beneficial and are considering a plan of dissolution and termination under state law as outlined in the trust agreement pursuant to which Trust's net assets would be transferred to Foundation to better facilitate and streamline the efficient administration of assets and to further Foundation's charitable mission (the "Proposed Transfer").

Trustees of Foundation and Trust plan to transfer all of Trust's assets to Foundation to further Foundation's charitable exempt purposes to facilitate a more efficient distribution of funds, limit their liability with regard to the assets, and simplify asset management. The Proposed Transfer will include distributions out of current income and 100 percent of the fair market value of Trust's assets. In addition, Foundation will assume any remaining liabilities of Trust. Trust will receive no consideration in exchange for the transfer. It is anticipated that the transfer and retitling of all assets and liabilities to Foundation would occur in a series of one or more transactions no later than Date. Trust does not intend to obtain records from Foundation showing that Foundation has made distributions out of corpus in connection with the transfers.

Upon completion of the Proposed Transfer, Trust will have no remaining assets or liabilities and will terminate its existence under state law. Trust will file a timely, final Form 990-PF no earlier than one day after the Proposed Transfer has been made.

Trust represents that it has not and will not notify the IRS of an intent to terminate its status as a private foundation pursuant to section 507(a)(1). Trust also represents that it has not engaged in willfully repeated acts (or failures to act) or committed a willful and flagrant act (or failure to act) which would give rise to tax under chapter 42, nor will it commit any such acts at the time of transfer.

As Trust and Foundation have conducted and continue to conduct appropriate due diligence to ensure compliance with tax and other matters, both Trust and Foundation have incurred and will continue to incur expenses relating to the ultimate transfer of assets of Trust to Foundation, most notably legal fees, accounting fees, IRS filing fees, and other administrative expenses related to staff engagement. Trust and Foundation represent that they have incurred these expenses in the good faith belief that they were reasonable and that the payment or incurrence of such expenses in such amounts was consistent with ordinary care and prudence relating to the winding down of Trust and transfer of assets to Foundation.

RULINGS REQUESTED, LAW, AND ANALYSIS

Requested Rulings 1 and 2:

1. *The Proposed Transfer from Trust to Foundation of all assets and any remaining liabilities of Trust, in one or a series of transfers, will constitute a significant disposition of assets described in section 507(b)(2).*
2. *After the Proposed Transfer is completed, Foundation will not be treated as a “newly created organization” under section 507(b)(2) and Treas. Reg. § 1.507-3(a)(1).*

Section 507(b)(2) provides that in the case of a transfer of assets of any private foundation to another private foundation pursuant to any liquidation, merger, redemption, recapitalization, or other adjustment, organization, or reorganization, the transferee foundation shall not be treated as a newly created organization. A transfer described in section 507(b)(2) is referred to as a “section 507(b)(2) transfer.”

Treas. Reg. § 1.507-3(c)(1) states that for purposes of section 507(b)(2), the terms “other adjustment, organization, or reorganization” shall include any partial liquidation or any other significant disposition of assets to one or more private foundations, other than transfers for full and adequate consideration or distributions out of current income.”

Treas. Reg. § 1.507-3(c)(2)(ii) defines “significant disposition of assets to one or more private foundations” to include any disposition or series of dispositions where the cumulative total of dispositions is twenty-five percent (25%) or more of the fair market value of the net assets of the foundation at the beginning of the taxable year.

In Treas. Reg. § 1.507-3(c)(5), Example (2), U, a tax-exempt private foundation on the calendar year basis, has net assets worth \$100,000 as of January 1, 1971. As part of a

series of related dispositions in 1971 and 1972, U transfers in 1971, in addition to distributions out of current income, \$10,000 to private foundation X and \$10,000 to private foundation Y, and in 1972, in addition to distributions out of current income, U transfers \$10,000 to private foundation Z. Under subparagraph (2)(ii) of this paragraph, U is treated as having made a series of related dispositions in 1971 and 1972. The aggregate of the 1972 disposition (under subparagraph (2)(i) of this paragraph) and the series of related dispositions (under subparagraph (2)(ii) of this paragraph) is \$30,000, which is more than 25 percent of the fair market value of U's net assets as of the beginning of 1971 (\$100,000), the first year in which any such disposition was made. Thus, U has made a significant disposition of its assets and has made transfers described in section 507(b)(2). The provisions of paragraphs (a) and (b) of this section apply to each of the transferees as of the date on which it received assets from U.

In addition to distributions out of current income, Trust will transfer 100 percent of its assets to Foundation. Trust will not receive any consideration for the amounts transferred. The Proposed Transfer will exceed twenty-five percent (25%) of Trust's assets and thus will constitute a significant disposition of assets that will qualify as a section 507(b)(2) transfer. Because Trust will be making a section 507(b)(2) transfer to Foundation, Foundation shall not be treated as a newly created organization following the Proposed Transfer.

Requested Ruling 3: *The Proposed Transfer will not terminate the status of Trust as a private foundation under section 507(a)(1), and Trust's voluntary termination as an entity under state law will not cause the imposition of the termination tax under section 507(c).*

Section 507(a) provides that, except as provided in subsection (b), the status of any organization as a private foundation shall be terminated only if (1) it notifies the Secretary of its intent to accomplish such a termination, or (2) with respect to such organization, there have been either willful repeated acts (or failures to act), or a willful and flagrant act (or failure to act), giving rise to liability for tax under chapter 42, and the Secretary notifies such organization that it is liable for the tax imposed by section 507(c), and either such organization pays the tax (or any portion not abated under section 507(g) or the entire amount of such tax is abated under section 507(g).

Section 507(c) imposes an excise tax on an organization whose private foundation status is terminated pursuant to section 507(a) equal to the lower of (1) the aggregate tax benefit that has resulted from the private foundation's tax-exempt status under section 501(c)(3), or (2) the value of the net assets of the foundation.

Treas. Reg. § 1.507-1(b)(6) states, in part, that if a private foundation transfers all or part of its assets to one or more other private foundations in a transfer described in section 507(b)(2) and Treas. Reg. § 1.507-3(c), the transferor foundation will not have terminated its private foundation status under section 507(a)(1).

Treas. Reg. § 1.507-3(d) states that unless a private foundation voluntarily gives notice pursuant to section 507(a)(1), a transfer of assets described in section 507(b)(2) will not constitute a termination of the transferor's private foundation status under section 507(a)(1). Such transfer must, nevertheless, satisfy the requirements of any pertinent provisions of chapter 42.

Treas. Reg. § 1.507-4(b) states that private foundations that make transfers described in section 507(b)(2) are not subject to the tax imposed under section 507(c) with respect to such transfers unless the provisions of section 507(a) become applicable.

Trust represents that it has not and will not notify the Service of an intent to terminate its status as a private foundation pursuant to section 507(a)(1). Trust also represents that it has not willfully engaged in repeated acts (or failures to act) or committed a willful and flagrant act (or failure to act) which would give rise to tax under chapter 42. Therefore, because the Proposed Transfer is described in section 507(b)(2), and Trust's status as a private foundation will otherwise not be terminated pursuant to section 507(a)(1), the Proposed Transfer will not terminate Trust's private foundation status and will not cause any liability under section 507(c).

Requested Ruling 4: *As a result of the Proposed Transfer of all assets to Foundation, Foundation will succeed to the "aggregate tax benefit," as defined in section 507(d)(1). As the Proposed Transfer constitutes a transfer of all of Trust's assets, Treas Reg. § 1.507-3(a)(9)(i) will apply and Foundation will be treated as if it is Trust with respect to the Proposed Transfer.*

- a. After the Proposed Transfer is completed, all of Trust's excess qualifying distribution carryover will transfer to Foundation; Trust will terminate and not retain its excess qualifying distribution carryover.*
- b. Trust's distributable amount and qualifying distributions under section 4942 for the tax year in which the Proposed Transfer is completed will be carried over to Foundation, and Trust will not need to separately meet the qualifying distribution requirements under section 4942 for the tax year in which the Proposed Transfer is completed.*
- c. Any refundable tax payments of Trust will be available to Foundation under section 4940 to offset Foundation's tax liability under section 4940.*

Section 507(d)(1) defines "aggregate tax benefit" as the sum of the following amounts:

- (i) the aggregate increases in tax under chapters 1, 11 and 12 of the Internal Revenue Code that would have been imposed on the substantial contributors to the private foundation if the charitable income, estate and gift tax deductions were disallowed for contributions made after February 28, 1913;
- (ii) the aggregate increases in tax under chapter 1 that would have been imposed on the private foundation's income for taxable years beginning after December 31, 1912

if the foundation had not been exempt under section 501(c)(3) or if deductions under section 642(c) had been limited to 20 percent of taxable income (in the case of a trust); and

(iii) interest on the amounts described in items (i) and (ii) above from the first date each amount would have been due and payable until the date when the organization ceases to be a private foundation.

Treas. Reg. § 1.507-3(a)(1) states that, in the case of a significant disposition of assets to one or more private foundations pursuant to a transfer described in section 507(b)(2) and § 1.507-3(c), the transferee organization shall not be treated as a newly created organization, but shall succeed to those attributes and characteristics of the transferor organization which are described in § 1.507-3(a)(2), (3), and (4), which includes its aggregate tax benefit, substantial contributors, and Chapter 42 tax and penalty liabilities.

Treas. Reg. § 1.507-3(a)(2)(i) states that a transferee organization shall succeed to the aggregate tax benefit of the transferor organization in an amount determined as follows: Such amount shall be an amount equal to the amount of such aggregate tax benefit multiplied by a fraction the numerator of which is the fair market value of the assets (less encumbrances) transferred to such transferee and the denominator of which is the fair market value of the assets of the transferor (less encumbrances) immediately before the transfer.

Treas. Reg. § 1.507-3(a)(8)(ii) provides that certain provisions enumerated in that section (including section 4940(c)(4)(B)) with respect to the basis of property and section 4942(f)(4) with respect to distributions of income) shall apply to the transferee foundation with respect to the assets transferred to the same extent and in the same manner that they would have applied to the transferor foundation had the transfer described in section 507(b)(2) not been effected.

Treas. Reg. § 1.507-3(a)(9)(i) states that if a private foundation transfers all of its net assets to one or more private foundations which are effectively controlled by the same persons which effectively controlled the transferor private foundation, for purposes of chapter 42 (section 4940 et. seq.) and part II of subchapter F of chapter 1 of the Code (sections 507 through 509) such a transferee private foundation shall be treated as if it were the transferor.

Treas. Reg. § 1.507-7(d) provides that for purposes of section 507 and the regulations thereunder, the term "net assets" shall mean the gross assets of a private foundation reduced by all liabilities of the foundation, including appropriate estimated and contingent liabilities.

Rev. Rul. 78-387, 1978-2 C.B. 270, holds that when a transferee foundation is treated as the transferor under Treas. Reg. § 1.507-3(a)(9)(i), the transferee is entitled to

reduce its distributable amount under section 4942 by the amount of the transferor's excess qualifying distribution carryover.

Rev. Rul. 2002-28, 2002-1 C.B. 941 holds that where, by reason of Treas. Reg. § 1.507-3(a)(9)(i), a transferee private foundation is treated as though it were the transferor for purposes of section 4942, a transfer to the transferee foundation is not treated as a qualifying distribution of the transferor foundation. Rather, the transferee foundation assumes all obligations with respect to the transferor's "undistributed income" within the meaning of section 4942(c), if any, and reduces its own distributable amount under section 4942(d) by the transferor foundation's excess qualifying distributions under section 4942(i).

Rev. Rul. 2002-28 also holds that where the transferor foundation transfers all of its assets to one or more private foundations effectively controlled by the same persons that effectively control the transferor, any excess section 4940 tax paid by the transferor may be used by the transferee to offset the transferee's section 4940 tax liability.

Trust and Foundation represent that Trust and Foundation are effectively controlled by the same person or persons within the meaning of Treas. Reg. §§ 1.507-3(a)(2)(ii) and 1.507-3(a)(9)(i). Trust anticipates that Proposed Transfer will collectively transfer all of the assets and any remaining liabilities of Trust to Foundation.

Because Trust will transfer all assets to Foundation, which is effectively controlled by the same person or persons that control Trust, Foundation will be treated as if it is Trust with respect to the Proposed Transfer for purposes of chapter 42 and sections 507 through 509. As a result, all of Trust's excess qualifying distribution carryover will transfer to Foundation. Trust's distributable amount and qualifying distributions under section 4942 for the tax year in which the Proposed Transfer is completed will be carried over to Foundation, and Trust will not need to separately meet the qualifying distribution requirements under section 4942 for the tax year in which the Proposed Transfer is completed. In addition, refundable tax payments of Trust will be available to Foundation under section 4940 to offset Foundation's tax liability under section 4940.

Requested Ruling 5: *The Proposed Transfer to Foundation will not result in gross investment income or capital gain income within the meaning of section 4940 and the excise tax on net investment income.*

Section 4940(a) imposes an excise tax on a private foundation's net investment income for the taxable year.

Section 4940(c)(1) defines net investment income as the amount by which the sum of the gross investment income and the capital gain net income exceeds the deductions allowed under section 4940(c)(3).

Section 4940(c)(2) provides, in part, that for purposes of section 4940, the term “gross investment income” means the gross amount of income from interest, dividends, rents, payments with respect to securities loans, and royalties.

Rev. Rul. 2002-28 presents situations where a private foundation transfers all of its assets to transferee private foundations that are effectively controlled (within the meaning of the regulations under section 507), directly or indirectly by the same person who effectively controlled the transferor private foundations. The ruling concludes that the transfers do not constitute investments of the transferor for purposes of section 4940; therefore, the transfers do not give rise to net investment income subject to tax under section 4940(a).

Trust proposes to distribute all of its assets to Foundation. Trust will receive no consideration for the transfer and thus will receive no gross income. Similar to the transfers described in Rev. Rul. 2002-28, the Proposed Transfer does not constitute an investment of Trust for purposes of section 4940. Accordingly, the Proposed Transfer will not result in the production of net investment income (including capital gains from the taxable sale or disposition of property) subject to excise tax under section 4940.

Requested Ruling 6: *The Proposed Transfer to Foundation will not result in an act of self-dealing under section 4941 and the excise tax imposed on self-dealing.*

Section 4941(a) imposes taxes on each act of self-dealing between a private foundation and a disqualified person, as defined in section 4946. Taxes are imposed on both the self-dealers involved in an act of self-dealing and on any foundation managers who knowingly participate in an act of self-dealing.

Section 4941(d)(1)(E) provides that the term “self-dealing” includes any direct or indirect transfer to, or use by or for the benefit of, a disqualified person of the income or assets of a private foundation.

Section 4946(a)(1) defines the term “disqualified person.” Treas. Reg. § 53.4946-1(a)(8) provides that, for purposes of section 4941 only, the term “disqualified person” shall not include organizations that are exempt under section 501(c)(3) (other than an organization described in section 509(a)(4)).

Rev. Rul. 2002-28 presents situations where a private foundation transfers all of its assets to transferee private foundations that are effectively controlled (within the meaning of the regulations under section 507), directly or indirectly by the same person who effectively controlled the transferor private foundations. The ruling states that the transfers are to section 501(c)(3) organizations, which are not treated as disqualified persons for purposes of section 4941. See Treas. Reg. § 53.4946-1(a)(8). Thus, the transfers do not constitute self-dealing transactions and are not subject to tax under section 4941(a).

Trust is recognized as tax exempt under section 501(c)(3). Foundation also is recognized by the IRS as an organization exempt from tax under section 501(c)(3). Under Treas. Reg. § 53.4946-1(a)(8), the Proposed Transfer from Trust to Foundation will not constitute a transfer to a disqualified person because both Trust and Foundation are described in section 501(c)(3) and are not organizations described in section 509(a)(4). See sections 4941(a); 4941(d)(1)(E); and Rev. Rul. 2002-28. Moreover, any benefit to disqualified persons with respect to Foundation or Trust arising from the transfer is incidental or tenuous under the facts presented. As a result, the transfer of all of Trust's assets to Foundation will not be an act of self-dealing with respect to Trust or Foundation, provided Foundation maintains its tax-exempt status under section 501(c)(3) and is recognized by the IRS as an organization exempt from tax under section 501(c)(3) on the dates of the Proposed Transfer. See Treas. Reg. § 53.4946-1(a)(8).

Requested Ruling 7: *The Proposed Transfer to Foundation will not result in a qualifying distribution under IRC Section 4942.*

Section 4942(a) generally imposes a tax on the undistributed income of a private non-operating foundation for any taxable year which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year.

Section 4942(c) defines "undistributed income" for any taxable year as the amount by which the distributable amount for such taxable year exceeds the qualifying distributions made out of such distributable amount for such taxable year.

Section 4942(g)(1)(A) and Treas. Reg. § 53.4942(a)-3(a)(2)(i) provide, in part, that the term "qualifying distribution" means any amount paid to accomplish one or more purposes described in section 170(c)(1) or (2)(B), other than any contribution to (i) a private non-operating foundation, unless the amount paid satisfies the requirements of section 4942(g)(3); (ii) an organization controlled (directly or indirectly) by the private foundation or one or more disqualified persons (as defined in section 4946) with respect to the foundation; or (iii) a supporting organization described in section 4942(g)(4)(A)(i) or (ii), including a Type III functionally integrated supporting organization if a disqualified person of the private foundation directly or indirectly controls such organization or a supported organization (as defined in section 509(f)(3)) of such organization.

Section 4942(g)(3) and Treas. Reg. § 53.4942(a)-3(c)(1) provide that, if two requirements are satisfied, the term "qualifying distribution" includes a contribution to (i) another section 501(c)(3) organization controlled directly or indirectly by the transferor foundation or one or more disqualified persons with respect to the transferor or (ii) a private non-operating foundation. The first such requirement is that the transferee organization satisfy certain distribution requirements described in section 4942(g)(3)(A). The second requirement is that the transferor obtains adequate records or other sufficient evidence from the transferee organization(s) showing that the required pass-through distributions were made, as described in section 4942(g)(3)(B). The

distributions must be made no later than the close of the first taxable year after its taxable year in which such contribution is received and must be equal to the amount of the contribution.

Treas. Reg. § 1.507-3(a)(5) states that, except as provided in § 1.507-3(a)(9), a private foundation is required to meet the distribution requirements of section 4942 for any taxable year in which it makes a section 507(b)(2) transfer of all or part of its net assets to another private foundation.

Rev. Rul. 2002-28 holds that where, by reason of Treas. Reg. § 1.507-3(a)(9)(i), a transferee private foundation is treated as though it were the transferor for purposes of section 4942, a transfer to the transferee foundation is not treated as a qualifying distribution of the transferor foundation. Rather, the transferee foundation assumes all obligations with respect to the transferor's "undistributed income" within the meaning of section 4942(c), if any, and reduces its own distributable amount under section 4942(d) by the transferor foundation's excess qualifying distributions under section 4942(i).

Under section 4942(g)(3) and Treas. Reg. § 53.4942(a)-3(c)(1), a grant by a private non-operating foundation to another private non-operating foundation (or to another organization controlled by disqualified persons with respect to the transferor) is not treated as a qualifying distribution by the transferor foundation for purposes of section 4942 except to the extent that the transferee makes one or more distributions that would be qualifying distributions under section 4942(g) prior to the close of the transferee's first taxable year following the taxable year in which it received the transfer and the distributions are treated as being made out of corpus. Thus, under section 4942(g)(3), a transfer to another private foundation shall count toward an organization's distribution requirements only if the redistribution requirements are met. As Trust does not intend to obtain records from Foundation showing that Foundation has made distributions out of corpus in connection with the transfers, the Proposed Transfer will not satisfy the requirements for qualifying distributions under section 4942(g)(3).

Requested Ruling 8: *The Proposed Transfer to Foundation will not result in an investment that jeopardizes charitable purposes under section 4944 and the excise tax imposed on jeopardizing investments.*

Section 4944(a)(1) imposes a tax on any amount invested by a private foundation in a manner that jeopardizes the carrying out of any of the foundation's exempt purposes. Section 4944(c) provides an exception for investments where the primary purpose of the investment is to accomplish exempt purposes and no significant purpose of which is the production of income or appreciation of property.

Rev. Rul. 2002-28 presents situations where a private foundation transfers all of its assets to transferee private foundations that are effectively controlled (within the meaning of the regulations under section 507), directly or indirectly by the same person

who effectively controlled the transferor private foundations. The ruling holds that the transfers do not constitute investments for purposes of section 4944. Therefore, the transfers do not constitute investments jeopardizing the transferor foundation's exempt purposes and are not subject to tax under section 4944(a)(1).

Under section 4944(c), a transfer is not considered a jeopardizing investment for purposes of section 4944 if the transfer of assets was made for the purpose of accomplishing a charitable purpose and not for the production of income or appreciation of property. The Proposed Transfer is being made to fulfill both Trust and Foundation's shared charitable purposes and for no consideration. The transfers are not investments, and Trust expects no return on investment, nor a return of principal. Therefore, the Proposed Transfer does not constitute an investment and will not result in the imposition of tax for a jeopardizing investment under section 4944. See also Rev. Rul. 2002-28.

Requested Ruling 9: The Proposed Transfer to Foundation pursuant to section 507(b)(2) will not result in the transfers being taxable expenditures under section 4945. The payment of reasonable legal, accounting, and other administrative expenses incurred by Trust and Foundation in connection with the transfer of assets from Trust to Foundation do not constitute taxable expenditures under section 4945.

Section 4945(a) imposes a tax on each "taxable expenditure" incurred by a private foundation.

Section 4945(d)(4) provides that the term "taxable expenditure" includes a grant paid to an organization unless (A) the grantee is either a public charity described in section 509(a)(1), (2), or (3), (other than certain supporting organizations described in section 4942(g)(4)(A)(i) or (ii)) or an exempt operating foundation described in section 4940(d)(2), or (B) unless the grantor exercises expenditure responsibility over the grant pursuant to section 4945(h).

Section 4945(d)(5) provides that the term "taxable expenditure" also includes any amount paid or incurred by a private foundation for any purpose other than one specified in section 170(c)(2)(B).

Section 170(c)(2)(B) lists the following purposes: "religious, charitable, scientific, literary, or educational purposes, or to foster national or international amateur sports competition (but only if no part of its activities involve the provision of athletic facilities or equipment), or for the prevention of cruelty to children or animals." The purposes listed in section 170(c)(2)(B) are nearly the same as the purposes listed in section 501(c)(3). Thus, a grant by a private foundation to another organization described in section 501(c)(3) ordinarily is an amount paid to accomplish a purpose described in section 170(c)(2)(B).

Section 4945(h) defines “expenditure responsibility” to mean that the grantor private foundation is responsible for exerting all reasonable efforts to establish adequate procedures to see that the grant is spent solely for the purpose for which it was made, obtain full and complete reports from the grantee on how the funds are spent, and make full and detailed reports with respect to such expenditures to the Secretary.

Treas. Reg. § 53.4945-6(c)(3) allows a private foundation to transfer its assets to exempt organizations described in section 501(c)(3), including private foundations, pursuant to section 507(b)(2), without the transfers being taxable expenditures under section 4945(d)(5). As discussed, Treas. Reg. § 1.507-3(a)(9)(i) provides that if a private foundation transfers all of its net assets to one or more private foundations which are effectively controlled by the same person or persons which effectively controlled the transferor private foundation, for purposes of chapter 42 and sections 507 through 509 such a transferee private foundation shall be treated as if it were the transferor.

Rev. Rul. 2002-28 provides that where each transferor foundation transfers all of its assets to private foundations effectively controlled by the same persons that effectively control the transferor foundation, the transferee foundations are treated as if they were the transferor for purposes of section 4945.

Because Foundation is treated as though it were the transferor foundation rather than as a recipient of expenditure responsibility grants, there are no expenditure responsibility requirements under section 4945 that must be exercised with respect to the Proposed Transfer from Trust to Foundation and the Proposed Transfer will not be a taxable expenditure.

Treas. Reg. § 53.4945-6(b)(2) provides that legal, administrative, and other expenses incurred by a private foundation are not taxable expenditures if the foundation can demonstrate that such expenses were paid or incurred in the good faith belief that they were reasonable and that the payment or incurrence of such expenses in such amounts was consistent with ordinary business care and prudence. Trust and Foundation represent that the legal, accounting, and other expenses paid in connection with this ruling request and in effectuating the proposed transfer are reasonable, necessary, and consistent with ordinary business care and prudence. Therefore, these payments will also not constitute taxable expenditures under section 4945.

Requested Ruling 10: *Trust will not be required to file Form 990-PF for any taxable year following the taxable year in which the Proposed Transfer is completed under section 6033.*

Treas. Reg. § 1.507-3(a)(10), by reference to Treas. Reg. § 1.507-1(b)(9), provides that a private foundation that transfers all of its net assets is required to file the annual information return required by section 6033, and the foundation managers are required to file the annual report of a private foundation required by section 6056, for the taxable year in which such transfer occurs. However, neither such foundation nor its foundation

managers will be required to file such returns for any taxable year following the taxable year in which the last of any such transfers occurred, if at no time during the subsequent taxable years in question the foundation has either legal or equitable title to any assets or engages in any activity. See also Rev. Rul. 2002-28. After the completion of the Proposed Transfer, Trust plans to file a final Form 990-PF. Trust will no longer have any assets, liabilities, or activities. Therefore, Trust will not be required to file Form 990-PF for any taxable year subsequent to the taxable year in which the Proposed Transfer occurs.

RULINGS

Based on the foregoing, and assuming the accuracy of the facts and representations set forth herein, we rule as follows:

- 1) The Proposed Transfer from Trust to Foundation of all assets and any remaining liabilities of Trust, in one or a series of transfers, will constitute a significant disposition of assets described in section 507(b)(2).
- 2) After the Proposed Transfer is completed, Foundation will not be treated as a “newly created organization” under section 507(b)(2) and Treas. Reg. § 1.507-3(a)(1).
- 3) The Proposed Transfer will not terminate the status of Trust as a private foundation under section 507(a)(1), and Trust’s voluntary termination as an entity under state law will not cause the imposition of the termination tax under section 507(c).
- 4) As a result of the Proposed Transfer of all assets to Foundation, Foundation will succeed to the “aggregate tax benefit,” as defined in section 507(d)(1). As the Proposed Transfer constitutes a transfer of all of Trust’s assets, Treas Reg. § 1.507-3(a)(9)(i) will apply and Foundation will be treated as if it is Trust with respect to the Proposed Transfer.
 - a. After the Proposed Transfer is completed, all of Trust’s excess qualifying distribution carryover will transfer to Foundation; Trust will terminate and not retain its excess qualifying distribution carryover.
 - b. Trust’s distributable amount and qualifying distributions under section 4942 for the tax year in which the Proposed Transfer is completed will be carried over to Foundation, and Trust will not need to separately meet the qualifying distribution requirements under section 4942 for the tax year in which the Proposed Transfer is completed.
 - c. Any refundable tax payments of Trust will be available to Foundation under section 4940 to offset Foundation’s tax liability under section 4940.
- 5) The Proposed Transfer to Foundation will not result in gross investment income or capital gain income within the meaning of section 4940 and the excise tax on net investment income.

- 6) The Proposed Transfer to Foundation will not result in an act of self-dealing under section 4941 and the excise tax imposed on self-dealing.
- 7) The Proposed Transfer will not result in a qualifying distribution under section 4942.
- 8) The Proposed Transfer to Foundation will not result in an investment that jeopardizes charitable purposes under section 4944 and the excise tax imposed on jeopardizing investments.
- 9) The Proposed Transfer to Foundation pursuant to section 507(b)(2) will not result in the transfers being taxable expenditures under section 4945. The payment of reasonable legal, accounting, and other administrative expenses incurred in connection with the transfer of assets from Trust to Foundation do not constitute taxable expenditures under section 4945.
- 10) Trust will not be required to file Form 990-PF for any taxable year following the taxable year in which the Proposed Transfer is completed under section 6033.

The rulings contained in this letter are based upon information and representations submitted by or on behalf of Foundation and accompanied by a penalty of perjury statement executed by an individual with authority to bind Foundation, and upon the understanding that there will be no material changes in the facts. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification on examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been a misstatement or omission of controlling facts; the facts at the time of the transaction are materially different from the controlling facts on which the ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2025-1, section 11.05.

This letter does not address the applicability of any section of the Code or Regulations to the facts submitted other than with respect to the sections specifically described, and, except as expressly provided in this letter, no opinion is expressed or implied concerning the tax consequences of any aspects of any transaction or item of income discussed or referenced in this letter.

Because it could help resolve questions concerning federal income tax status, this letter should be kept in taxpayer's permanent records.

A copy of this letter must be attached to any tax return to which it is relevant. Alternatively, if taxpayer files a return electronically, this requirement may be satisfied by attaching a statement to the return that provides the date and control number of this letter.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to taxpayer's authorized representative.

This letter is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

Sincerely,

Theodore R. Lieber
Senior Technician Reviewer
(Employee Benefits, Exempt Organizations, and
Employment Taxes)

cc: