

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

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Dear Mr. *****:

This is in reference to your letter of June 5, 2000, to ***** concerning the effect on the exempt status of trusts under section 501(c)(3) of the Internal Revenue Code due to compensation of trustees.

You inquired about the payment of compensation for trustees when compensation had been stated as zero on the trust's application for recognition of exemption under section 501(c)(3) of the Code. A definitive response to this question can only be offered by the Service after consideration of all the facts and circumstances in a given situation. Generally, however, reasonable compensation is an allowable expense for an exempt organization and would not, *per se*, affect its tax exempt status.

You also proffered another situation where the trustee was seeking a court order for payment of reasonable compensation and the organization's application had indicated no such fees would be sought. As we stated above, a definitive response to this question can only be offered by the Service after consideration of all the facts and circumstances in a given situation. Because circumstances may change between the time an application is filed and the time actual operations begin, it would be possible for an organization to incur reasonable fees for services rendered after the issuance of a favorable exemption letter. The making and proving of such a claim in court would not, *per se*, affect the trust's tax exempt status.

If you have any questions concerning this letter, you may call *****, of this office, at (202) ***** (not a toll free number).

Sincerely yours,

Thomas J. Miller
Acting Director, Exempt Organizations
Rulings and Agreements