

**INTERNAL REVENUE SERVICE**

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Dear xxxxxxxx:

This is in response to your letter dated July 30, 2002 requesting information regarding the treatment, for purposes of section 4942 of the Internal Revenue Code (the Code), of a distribution by a private foundation to a limited liability company that is treated as a disregarded entity and whose sole member is a public charity.

The "check the box" regulations at Reg. 301.7701 (T.D. 8697, 1997-1 C.B. 215, 61 F.R. 66584), effective January 1, 1997, allow certain organizations to choose treatment as either a partnership or corporation, or to be treated as a disregarded entity for federal tax purposes. Announcement 99-102, 1999-43 I.R.B. 545, confirms that a single member limited liability company is presumed to be a disregarded entity. Where the sole member is a tax-exempt organization described in section 501(a) of the Code, including an organization described in section 501(c)(3), the limited liability company is recognized as an integral part of the tax-exempt organization. Announcement 99-102 requires the exempt owner of a disregarded limited liability company to treat the operations and finances of the limited liability company as its own for tax and information reporting purposes.

Accordingly, it follows that a distribution by a private foundation to a limited liability company which is treated as a disregarded entity for federal tax purposes, and whose sole member is a public charity described in section 501(c)(3) of the Code, is treated as a distribution to the public charity for purposes of section 4942 of the Code.

I hope this information letter is responsive to your information request.

If you have additional questions, please contact xxxxxxxx xxxxxx of this office at (202) xxx-xxxx.

Sincerely,  
Marvin Friedlander  
Manager, Exempt Organizations  
Technical Group 1