



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

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Contact Person:

Identification Number:

Telephone Number:

Employer Identification Number:

SE:T:EO:RA:T:1

Legend:

A =
B =
C =
D =
E =
G =
X =
Z =

Dear :

This is in response to your ruling request as to the effects of the transfer of assets from A and B to C.

A is an organization described in section 501(c)(3) of the Internal Revenue Code and classified as an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code. A has a valid dissolution clause in accordance with section 1.501(c)(3)-1(b)(4) of the Income Tax Regulations. A is a trust that distributes financial aid for charitable purposes to Z and their dependents that reside in D for charitable purposes. A also administers restricted funds under the terms of E's program for charitable purposes within the meaning of section 501(c)(3) of the Code. E is an organization described in section 501(c)(3).

B is an organization described in section 501(c)(3) of the Code and classified as an organization described in sections 509(a)(1) and 170(b)(1)(A)(vi) of the Code.

C is an organization described in section 501(c)(3) of the Code and is classified as a supporting organization under section 509(a)(3) of the Code. C supports G an organization exempt from federal income tax under section 501(c)(6) of the Code.

In order to reduce administrative expenses amongst the organizations, a reorganization occurred amongst A, B, and C. As part of the reorganization, A and B agreed to terminate their

operations. A's trustees agreed to transfer all of its funds to C, which includes restricted funds of x to be used in accordance with the terms of E's program previously carried on by A. B's trustees also agreed to transfer all of its funds to C, without any restrictions. The proposed reorganization will also increase the number of beneficiaries that will benefit from C's exempt purposes.

C, upon obtaining a favorable private letter ruling, will change its name and comply with A's requested restriction on specific funds to be used only for the purposes allowed by E.

A, B, and C have requested the following rulings:

1. The termination of A and the conditional distribution of a portion of its assets to C with specific instructions to C restricting the use of these assets only for the purposes allowed by E that would allow C to continue participating in E program, will not jeopardize A's tax-exempt status under section 501(c)(3) of the Code.
2. The termination of A and the distribution of the remaining portion of its assets, with no restrictions as to the use of those assets to C, will not jeopardize A's tax-exempt status under section 501(c)(3) of the Code.
3. The termination of B and the distribution of its assets to the C, will not jeopardize the tax-exempt status of B under section 501(c)(3) of the Code.
4. The acceptance of cash assets by C from A, which contain restrictions as to the use of the conditionally transferred cash assets by C and C's agreement, to comply with these restrictions, will not jeopardize the tax-exempt status of C under section 501(c)(3) of the Code.
5. The acceptance of cash assets by C from A and B with no restrictions as to the use of those assets, will not jeopardize C's tax-exempt status under section 501(c)(3) or its non-private foundation classification under section 170 of the Code

LAW

Section 501(a) of the Internal Revenue Code exempts from taxation organizations described in subsection (c)(3), which includes corporations organized and operated exclusively for charitable and educational purposes. Furthermore, the aforementioned subsection requires that no part of the organization's net earnings inure to the benefit of any private shareholder or individual, that no substantial part of its activities is to influence legislation, and that it does not participate in any political campaign on behalf of or in opposition to any candidate for public office.

Section 1.501(c)(3)-1(b)(1)(i)(a) of the Income Tax Regulations provides that an

organization's articles of organization must limit its purposes to one or more exempt purposes. Section 1.501(c)(3)-1(b)(1)(iii) of the regulations provides that an organization is not organized exclusively for one or more exempt purposes if its articles expressly empower it to carry on, otherwise than as an insubstantial part of its activities, activities that are not in furtherance of one or more exempt purposes.

Section 1.501(c)(3)-1(b)(4) of the regulations provides that an organization's assets will be considered dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles be distributed for one or more exempt purposes.

RATIONALE

In order for A and B to be described in section 501(c)(3) of the Code, each organization must satisfy the organizational and operational test. When an organization dissolves it must ensure that its assets are being transferred for exclusively exempt within the meaning of section 501(c)(3) of the Code. See section 1.501(c)(3)-1(b)(1)(i)(a) of the regulations.

The transfer of funds by A to C, a section 501(c)(3) of the Code organization, furthers section 501(c)(3) purposes because the unrestricted and restricted funds held by A were previously used for section 501(c)(3) purposes and will be used by C for section 501(c)(3) purposes. A's transfer was in accordance with its dissolution provision as set forth in section 1.501(c)(3)-1(b)(4) of the regulations.

The transfer of funds by B to C further section 501(c)(3) purposes because the funds held by B were previously used for section 501(c)(3) purposes and will be used by C for section 501(c)(3) purposes. B's transfer was in accordance with its dissolution provision as set forth in section 1.501(c)(3)-1(b)(4) of the regulations.

The restructuring of A and B and the transfer of assets to C will not adversely affect C's exempt status under section 501(c)(3). C will perform the same as A performed with respect to the funds restricted by E that are consistent with its exempt purposes. C is also receiving some unrestricted funds from A and B that will use to further its own exempt purposes under section 501(c)(3) of the Code.

RULING

Therefore, we rule as follows:

1. The termination of A and distribution of a portion of its assets to C with specific instructions to C restricting the use of these assets only for the purposes allowed by E that would allow C to continue participating in E's relief fund program, will not jeopardize A's tax-exempt status under section 501(c)(3) of the Code.

2. The termination of A and the distribution of the remaining portion of its assets, with no restrictions as to the use of those assets to C, will not jeopardize A's tax-exempt status under section 501(c)(3) of the Code.
3. The termination of B and the distribution of its assets to C, will not jeopardize the tax-exempt status of B under section 501(c)(3) of the Code.
4. The acceptance of cash assets by C from A, which contain restrictions as to the use of the transferred cash assets and C's agreement to comply with these restrictions, will not jeopardize the tax-exempt status of C under section 501(c)(3) of the Code.
5. The acceptance of cash assets by C from A and B with no restrictions as to the use of those assets, will not jeopardize C's tax-exempt status under section 501(c)(3) or its non-private foundation classification under section 170 of the Code

This ruling will be made available for public inspection under section 6110 of the Code after certain deletions of identifying information are made. For details, see enclosed Notice 437, *Notice of Intention to Disclose*.

A copy of this ruling with deletions that we intend to make available for public inspection is attached to Notice 437. If you disagree with our proposed deletions, you should follow the instructions in Notice 437.

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

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Steven Grodnitzky
Manager,
Exempt Organizations
Technical Group 1

Enclosure
Notice 437