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**From:** [REDACTED]  
**Sent:** Thursday, September 01, 2016 2:08:47 PM  
**To:** [REDACTED]  
**Cc:**  
**Bcc:**  
**Subject:** 4962 issue snapshot

Good Afternoon ,

This is in response to the issue snapshot on section 4962.

We recommend that in this part of the Issue Snapshot a discussion covering the following topics should be included:

Include a short summary of the Code's provisions governing private foundations, i.e. recite the Code's rules to which the organization must adhere to maintain the status as a private foundation.

Describe the meaning of a "taxable event" per section 4962(a)(1) and give a few examples of events that will cause the entity to be subject to a first tier tax unless the entity shows reasonable cause and that it acted in good faith.

Explain how the standards for showing reasonable cause as a defense to the additions to tax for late filing/payment or the accuracy-related penalty under sections 6651 and 6662/6664 aid in analyzing if a foundation shows reasonable cause under section 4962. More specifically, the narrative should say that the foundation would have to prove that its directors used ordinary business care and prudence in conducting the foundation's affairs/transacting business for the relevant time period but nonetheless incurred a taxable event. Explain that the inquiry regarding reasonable cause is based on all facts and circumstances leading up to the taxable event. Did the directors make an honest, good faith effort to determine if the proposed course of action could lead to a taxable event?

Did the foundation proceed on the advice of a competent tax advisor, who opined that the transaction in question would not be considered a taxable event? Did the foundation supply the tax professional with all of the relevant information? Was the professional advisor qualified to render an opinion on the transaction in question?

Consider adding a discussion, and perhaps a hypothetical example, illustrating that a foundation cannot qualify for the defense when its managers/directors act willfully. That

is, when the evidence shows that they were aware of the Code's requirements but nonetheless caused the foundation to incur a taxable event.

The author may wish to incorporate this below into the discussion that is already included under the heading "issue indicators" below.

If you have any questions give me a call.

Thanks