

**Internal Revenue Service**

Department of the Treasury Washington,  
DC 20224

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CC:EEE:EOET:EO3  
PLR-111080-25

Date:  
January 06, 2026

**LEGEND**

- CLAT =
- Grantor =
- Date 1 =
- State =
- Trustee =
- DAF =
- Sponsoring Organization =

Dear :

This letter ruling is in response to a request from your authorized representative, dated May 28, 2025, and subsequent documentation requesting rulings under sections 4941, 4945, and 507 of the Internal Revenue Code relating to the proposed early termination of a split-interest trust. Taxpayer represents the facts as follows.

**FACTS**

CLAT was established by Grantor on Date 1 in State as an irrevocable charitable lead annuity trust and is governed by State law. Under section 4947(a)(2), CLAT is a split-interest trust that is treated as a private foundation for certain purposes. Under the terms of the CLAT's trust agreement, Trustee is required to distribute fixed annual annuity payments to DAF in each taxable year of CLAT's twenty-year term. After the final annuity payment is made under CLAT's trust agreement, the remainder interest in the trust estate is to pass to Trustee, who is also the sole remainder beneficiary. DAF consists of a donor-advised fund administered and maintained by Sponsoring

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Organization. Sponsoring Organization operates as a tax-exempt entity pursuant to section 501(c)(3).

As of the date of the ruling request, there remain ten annuity payments due under the terms of CLAT's trust agreement. CLAT represents that the investments held in CLAT have materially outperformed original expectations when CLAT was funded, and that the fair market value of the assets of CLAT significantly exceed the present value (computed under the applicable section 7520 rate) of the remaining annuity payments.

CLAT represents that DAF has requested that Trustee pay the undiscounted sum of all remaining annuity amounts now so that DAF may immediately devote those funds to its charitable purpose. CLAT further represents that under State law, early termination or modification of a charitable lead annuity trust is permitted when continuation under existing terms is unnecessary to accomplish the trust's purposes or when termination would allow for more efficient administration, and that early termination in this case would advance those objectives by accelerating the availability of funds to DAF for qualified charitable distributions. CLAT states that upon receiving the required court order authorizing the modification and early termination of CLAT, Trustee would distribute the undiscounted remaining annuity amount to the DAF and thereafter wind up the trust.

Upon termination, the remaining trust corpus would pass to Trustee in Trustee's capacity as sole remainder beneficiary. CLAT represents that no other remainder beneficiaries or contingent remainder beneficiaries exist, and that there are no parties whose interests would be adversely affected by early termination under the terms of the trust.

Based on the documentation submitted and the facts and representations described above, Taxpayer requests the following rulings.

#### RULINGS REQUESTED

1. The distribution and payment by CLAT of the undiscounted remaining annuity amounts to DAF is not an act of self-dealing under section 4941.
2. The payment by CLAT of the undiscounted remaining annuity amounts to DAF is not a taxable expenditure under section 4945.
3. The payment by CLAT of the undiscounted remaining annuity amounts to DAF is not subject to tax under section 507(c).

#### LAW

Section 507(a) provides, in part, that the status of any organization as a private foundation shall be terminated only if such organization notifies the Secretary of its intent to accomplish such termination.

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Section 507(c) imposes a tax upon a private foundation's termination of its status as a private foundation.

Section 4941 imposes an excise tax on each act of self-dealing between a disqualified person and a private foundation.

Section 4945(a)(1) imposes a tax upon a private foundation's making of any taxable expenditure as defined in section 4945(d). Section 4945(d)(5) provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation for any purpose other than one specified in section 170(c)(2)(B).

Section 4946(a) defines "disqualified person," including substantial contributors, foundation managers, and certain family members.

Section 4947(a)(2) provides, in part, that in the case of a trust which is not exempt from tax under section 501(a), not all of the unexpired interests in which are devoted to one or more of the purposes described in section 170(c)(2)(B), and which has amounts in trust for which a deduction was allowed under certain specified sections of the Internal Revenue Code, including section 2522, section 507 (relating to termination of private foundation status), section 4941 (relating to taxes on self-dealing), section 4945 (relating to taxes on taxable expenditures), as well as certain other specified Internal Revenue Code provisions relating to private foundations, shall apply as if such trust were a private foundation.

Treas. Reg. section 53.4946-1(a)(8) provides that for purposes of section 4941 only, the term "disqualified person" shall not include any organization which is described in section 501(c)(3) (other than an organization described in section 509(a)(4)).

Treas. Reg. section 53.4947-1(e)(1) provides that the provisions of section 507(a) shall not apply to a trust described in section 4947(a)(1) or (2) by reason of any payment to a beneficiary that is directed by the terms of the governing instrument of the trust and is not discretionary with the trustee or, in the case of a discretionary payment, by reason of, or following, the expiration of the last remaining charitable interest in the trust.

Treas. Reg. section 53.4947-1(e)(2), Example 2, describes a scenario in which H creates a trust under which X, a section 501(c)(3) organization, receives \$20,000 per year for a period of 20 years, remainder to S, H's son. H is allowed a deduction under section 2522 for the present value of X's interest. Example 2 provides that when the final payment to X has been made at the end of the 20-year period in accordance with the terms of the trust, the provisions of section 4947(a)(2) will cease to apply to the trust because the trust no longer retains any amounts for which the deduction under section 2522 was allowed. The example notes that the final payment to X will not be considered a termination of the trust's private foundation status within the meaning of section 507(a).

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ANALYSIS

Under section 4947(a)(2), CLAT, as a split-interest trust, is treated as a private foundation for certain purposes, including those in sections 4941, 4945, and 507. CLAT proposes to accelerate all remaining unpaid annuity payments to DAF, computed without applying any present value discount, and then terminate.

Requested Ruling 1

Section 4941 imposes an excise tax on each act of self-dealing between a disqualified person and a private foundation. Section 4941 applies to CLAT by virtue of section 4947(a)(2). However, Treas. Reg. section 53.4946-1(a)(8) provides that for purposes of section 4941 only, the term “disqualified person” shall not include any organization which is described in section 501(c)(3) (other than an organization described in section 509(a)(4)). Because DAF is administered and maintained by Sponsoring Organization which is recognized as an organization described in section 501(c)(3), DAF is not a disqualified person for purposes of section 4941. Accordingly, the accelerated payment of the undiscounted remaining annuity amounts to DAF is not an act of self-dealing under section 4941.

Requested Ruling 2

Section 4945(a)(1) imposes a tax upon a private foundation's making of any taxable expenditure as defined in section 4945(d). Section 4945(d)(5) provides that the term “taxable expenditure” means any amount paid or incurred by a private foundation for any purpose other than one specified in section 170(c)(2)(B). Pursuant to its trust agreement, CLAT is making annuity payments to DAF, which is administered and maintained by Sponsoring Organization, and organization recognized as exempt under section 501(c)(3). Consequently, these payments are for a charitable purpose specified in section 170(c)(2)(B). Therefore, the accelerated payment of the undiscounted annuity amount from CLAT to DAF is not a taxable expenditure under section 4945.

Requested Ruling 3

Section 507(a) provides, in part, that the status of any organization as a private foundation shall be terminated only if such organization notifies the Secretary of its intent to accomplish such termination. Section 507(c) imposes a tax upon a private foundation's termination of its status as a private foundation. Treas. Reg. section 53.4947-1(e)(1) provides that the provisions of section 507(a) shall not apply to a trust described in section 4947(a)(2) by reason of any payment to a beneficiary that is directed by the terms of the governing instrument of the trust and is not discretionary with the trustee. Here, CLAT's governing instrument requires annuity payments to DAF and Trustee does not have discretion over whether to pay the annuity amounts. Accordingly, section 507 does not apply, and the accelerated payment and termination are not subject to tax under section 507(c).

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RULINGS

Based on the facts and representations submitted by CLAT, we rule as follows:

1. The distribution and payment by CLAT of the undiscounted remaining annuity amounts to DAF is not an act of self-dealing under section 4941.
2. The payment by CLAT of the undiscounted remaining annuity amounts to DAF is not a taxable expenditure under section 4945.
3. The payment by CLAT of the undiscounted remaining annuity amounts to DAF is not subject to tax under section 507(c).

The rulings contained in this letter are based upon information and representations submitted by or on behalf of Taxpayer and accompanied by penalty of perjury statements executed by an individual with authority to bind Taxpayer 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 these rulings, it is subject to verification on examination. The Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes) 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, 2025-1 I.R.B. 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 those sections specifically described. Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

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

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.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

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.

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Sincerely,

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Seth Groman  
Senior Counsel  
Exempt Organizations Branch 3  
(Employee Benefits, Exempt Organizations,  
and Employment Taxes)

cc: