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Internal Revenue Service

Department of the Treasury

Washington, DC 20224

Contact Person:

Telephone Number:

In Reference to: OP:E:EO:T:3

Date: OCT 4 1999

▷ SSN: .507.00-00;
.507.06-00

Legend:

X =

Dear Sir or Madam:

This is in further consideration of our ruling issued on December 22, 1998 regarding a change made to one of the rulings contained in a private letter ruling we issued to you on March 12, 1998.

Specifically, the March 12, 1998 ruling No. 1 read as follows: "If you terminate your status as a private foundation pursuant to section 507(a)(1) of the Code, and the requirements set forth in section 507(g)(2) are met, the Service will abate the tax imposed by section 507(c)." You request that the phrase "and the requirements set forth in section 507(g)(2) are met" be deleted.

Shortly after the letter of March 12, 1998 was issued, you spoke to us regarding this change. We requested that you provide the Service with a letter from the Attorney General of X describing relevant X law. Thus, you have attached such a letter from the Attorney General of X. The letter indicates that, as required by section 507(g)(2) of the Code, there are mechanisms under X law sufficient to assure implementation of the provisions of Chapter 42 of the Code and insure that the assets of a private foundation are preserved for charitable purposes.

With respect to the above, we amended our ruling No. 1 to state, "If you terminate your status as a private foundation pursuant to section 507(a)(1) of the Code, the Service will abate the tax imposed by section 507(c)."

Please be aware that an assessment must be made before abatement is granted under the applicable statutory provisions. Therefore, our amendment of December 22, 1998 is further qualified as follows:

This ruling is not to be construed to limit the ability of the district director to either assess or abate the tax imposed by section 507(c) of the Code, in accordance with Service procedures as set forth in the Code and Regulations thereunder.

We wish to remove the implication that a private foundation can terminate its private foundation status in any manner other than as set forth in section 507 of the Code and the regulations thereunder. Specifically, where a foundation files a notice of intent to terminate and requests abatement of the section 507(c) tax on the grounds of section 507(g)(2), then its private foundation status is not terminated until the procedures set forth under section 507(g)(2) have been completed and the Service has abated the tax. Until termination, a foundation ordinarily must file an annual information return under section 6033.

We also wish to explain the procedure set forth in the Code and regulations for abatement under section 507(g)(2). For domestic foundations, section 507(g)(2) of the Code contemplates a three step process: (1) the Service notifies the appropriate State officer (ordinarily the State Attorney General) under section 6104(c); (2) the State officer notifies the Service within one year of the Service's notice that corrective action has been initiated under State law to insure that the Foundation's assets are preserved for charitable purposes; and (3) the State officer notifies the Service that the corrective action has been completed and has resulted in such preservation of assets. Section 1.507-9 of the regulations describes the process in greater detail. Section 1.507-9(b)(2) provides that prior to the notification from the State officer that corrective action has been initiated, the Service will follow the applicable procedures regarding assessment and collection of termination tax without regard to section 507(g)(2) of the Code. After receiving the notice, the Service suspends enforcement action until notified of the final result of the corrective action, as long as the delay does not jeopardize the collection of the tax or cause the Statute of Limitations to run.

Since you are a foreign organization but you are not exempt from section 507 of the Code under section 4948(b), we will need to obtain from you a waiver of your confidentiality rights under section 6103 allowing the Service to contact the Attorney General of X in order to carry out the abatement process under section 507. The district director will be contacting you with regard to abatement.

566

This ruling letter 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 as precedent.

Sincerely yours,

Robert C. Harper, Jr.
Chief, Exempt Organizations
Technical Branch 3

567