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Person To Contact:
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Telephone Number:

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Date:
July 24, 2025

Legend

Decedent	=
A	=
B	=
C	=
D	=
Trust	=
Trust 2	=
Trust 3	=
Estate	=
Foundation	=
State	=
Company	=
Appraiser	=
Date 1	=
Date 2	=
Date 3	=
Date 4	=
Date 5	=
Amount 1	=
Amount 2	=
Amount 3	=
Amount 4	=

Dear :

This letter responds to a letter from Foundation's authorized representative seeking a ruling that the transaction described below does not constitute a prohibited act of self-dealing because it satisfies the requirements of Treas. Reg. § 53.4941(d)-1(b)(3) (Estate Administration Exception). The facts are represented as follows.

FACTS

Decedent was the settlor and initial trustee of Trust. Trust was revocable during Decedent's lifetime and became irrevocable when Decedent died on Date 1. Trust's assets available for distribution include cash and equivalents, alternative investments, mortgage notes receivable, receivables from grantor retained annuity trusts, interests related to federal tax matters, publicly traded stock (including shares of Company), real estate investments, and personal property specifically bequeathed to family members of Decedent.

A, B, and C are Decedent's children.

Since Decedent's death, A, B, and D have served as successor trustees (Trustees) of Trust. The Trust instrument provides that Trustees have the power to either sell Trust's property or reallocate Trust's assets to another beneficiary.

On Date 2, Decedent created Foundation under the laws of State. Decedent was president of, and a substantial contributor to, Foundation. On Date 3, the Internal Revenue Service (IRS) issued a determination letter stating that Foundation is a charitable organization described in section 501(c)(3) of the Code, and a private foundation described in section 509(a) of the Code. Foundation has an interest or expectancy in every Trust asset available for distribution. D is Foundation's president. A, B, and D are Foundation's directors.

Estate is being administered in a probate court in State that has jurisdiction over Trust, Estate, and Foundation (Probate Court). Pursuant to Decedent's will, all assets of Estate are included in Trust. A and D are the personal representatives of Estate (Personal Representatives). Family members of Decedent hold more than 35 percent of the beneficial interest in both Trust and Estate.

Before making any distributions to Trust's beneficiaries, the Trust instrument requires Trustees to satisfy all claims against Estate and pay any administration and settlement expenses of Trust and Estate (Estate Payments).

Next, Trustees must distribute a series of specific cash payments (Specific Gifts). Outstanding Specific Gifts are equal to Amount 1. Each beneficiary of unpaid Specific Gifts is a "disqualified person" with respect to Foundation under Section 4946(a)(1)(D), and therefore these Specific Gifts are included in the proposed plan of distribution of

Trust's assets and will be paid once Taxpayers (defined infra) receive a favorable ruling from the IRS.

After making Specific Gifts, Trustees must make distributions to A, B, and C (Family Gifts). Family Gifts must include (1) all assets remaining in Trust which are not included in Decedent's gross estate for federal estate tax purposes, and; (2) a fractional share of the remaining assets of Trust which are so included. Trustees have calculated that Family Gifts total Amount 2, to be equally divided and distributed to Decedent's children. Following the death of Decedent, A and C executed separate qualified disclaimers from their respective Family Gifts. Under the terms of Trust, A's disclaimed amount will be held by Trustees in Trust 2, and C's disclaimed amount will be held by Trustees in Trust 3.

After Estate Payments, Specific Gifts, and Family Gifts are made, Trustees are directed by Trust's documents to distribute the balance of the Trust's assets to Foundation. Trustees must also ensure that adequate sums are reserved to pay any expenses of Trust and Estate before Trust terminates. Trustees have calculated that the balance of Trust they need to distribute to Foundation to satisfy its interest is Amount 3.

Trustees have broad powers to make divisions or distributions of Trust's assets on a pro rata or non-pro rata basis, in cash or in kind, and may allocate undivided interests in property and dissimilar property (without regard to its tax basis) to different shares.

C managed and operated certain real estate assets and investments of Trust during Decedent's lifetime. C wishes to receive these assets in satisfaction of C's interest in Trust. However, this would cause C's share of Family Gifts to be overfunded by Amount 4.

Foundation has requested that Trustees use liquid assets to satisfy Foundation's interest in Trust so that Foundation can immediately use such assets in furtherance of Foundation's charitable grant-making activities.

Because of the foregoing, Trustees, Personal Representatives, and Foundation (Taxpayers) have proposed the following plan of non-pro rata distribution of Trust's assets (Proposed Distribution Plan). First, under Proposed Distribution Plan, Trustees make Estate Payments and Specific Gifts in accordance with the terms of Trust. Second, C contributes Amount 4 in cash to Trust. Third, Trustees distribute Family Gifts, distributing to C the certain assets C wished to receive in satisfaction of C's interest, and distributing the cash contributed by C as cash payments to A, B, Trust 2, and Trust 3. Lastly, Trustees distribute publicly traded shares of Company with a fair market value of Amount 3 to Foundation, satisfying Foundation's interest in Trust.

On Date 4, Probate Court issued an order approving Proposed Distribution Plan (Court Order). Both Proposed Distribution Plan and Court Order require Trustees to make the divisions, distributions, and payments set forth in Proposed Distribution Plan as soon as

practicable upon receipt of a favorable ruling. Taxpayers represent that such divisions, distributions, and payments will occur before Estate is considered terminated for federal income tax purposes, and before Trust is subject to section 4947 of the Code.

Taxpayers received a qualified appraisal evaluating Proposed Distribution Plan, in the form of an opinion letter from Appraiser dated Date 5. The opinion letter confirms that Trust would retain an amount that equals or exceeds the fair market value of Trust property that is owed to Foundation. The opinion letter also confirms that Foundation would receive an interest or expectancy that is at least as liquid on the date of distribution as the interest Foundation would give up. Proposed Distribution Plan requires Trustees to adjust Proposed Distribution Plan as needed to ensure that these requirements are met.

RULING REQUESTED

Taxpayers request a ruling that Proposed Distribution Plan does not constitute a prohibited act of self-dealing by disqualified persons with respect to property in which Foundation has an interest or expectancy within the meaning of section 4941(d) of the Code because Proposed Distribution Plan qualifies for the Estate Administration Exception described in Treas. Reg. § 53.4941(d)-1(b)(3).

LAW

Section 501(c)(3) of the Code describes organizations organized and operated exclusively for charitable and other specified exempt purposes.

Section 509(a) of the Code provides that the term “private foundation” means a domestic or foreign organization described in section 501(c)(3) other than an organization described in section 509(a)(1), (2), (3) or (4).

Section 4941(a)(1) of the Code imposes a tax on each act of self-dealing between a disqualified person, as defined in section 4946(a)(1) of the Code, and a private foundation, as well as an additional tax if a foundation manager participates in self-dealing.

Section 4941(d)(1)(A) of the Code provides, in part, that the term “self-dealing” includes any direct or indirect sale or exchange, or leasing, of property between a private foundation and a disqualified person.

Section 4946(a)(1) of the Code provides that the term “disqualified person” means, in part, with respect to a private foundation, a person who is:

- (A) a substantial contributor to the foundation,
- (B) a foundation manager (within the meaning of subsection (b)(1)),

(C) an owner of more than 20 percent of:

(i) the total combined voting power of a corporation,

(ii) the profits interest of a partnership, or

(iii) the beneficial interest of a trust or unincorporated enterprise, which is a substantial contributor to the foundation

(D) a member of the family (as defined in section 4946(d) of the Code) of any individual described in subparagraph (A), (B), or (C), or

(E) a corporation of which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the total combined voting power, or

(F) a partnership in which persons described in subparagraph (A), (B), (C), or (D) own more than 35 percent of the profits interest, or

(G) a trust or estate in which persons described in subparagraph (A), (B), (C), or (D) hold more than 35 percent of the beneficial interest.

Section 4946(a)(2) of the Code provides that the term “substantial contributor” means a person who is described in Section 507(d)(2) of the Code.

Section 507(d)(2) of the Code defines the term “substantial contributor” as any person who contributed or bequeathed an aggregate amount of more than \$5,000 to the private foundation, if such amount is more than 2 percent of the total contributions and bequests received by the foundation before the close of the taxable year of the foundation in which the contribution or bequest is received by the foundation from such person. In the case of a trust, the term “substantial contributor” also means the creator of the trust. Subpart (b)(iv) of the same section also states that any person who is a substantial contributor on any date shall remain a substantial contributor for all subsequent periods.

Section 4946(b)(1) of the Code defines the term “foundation manager” as including an officer, director, or trustee of a foundation or an individual having powers or responsibilities similar to those of officers, directors, or trustees of the foundation.

Section 4946(d) of the Code provides that the term “members of family” with respect to any person who is a disqualified person includes the individual’s spouse, ancestors, children, grandchildren, great grandchildren, and the spouses of children, grandchildren, and great grandchildren.

Treas. Reg. § 53.4941(d)-1(a) provides that, for purposes of section 4941 of the Code, the term “self-dealing” means any direct or indirect transaction described in Treas. Reg.

§ 53.4941(d)-2. For purposes of this section, it is immaterial whether the transaction results in a benefit or a detriment to the private foundation.

Treas. Reg. § 53.4941(d)-1(b)(3) provides, in part, that the term “indirect self-dealing” shall not include a transaction with respect to a private foundation’s interest or expectancy in property (whether or not encumbered) held by a revocable trust, including a trust which has become irrevocable on a grantor’s death, regardless of when title to the property vests under local law, if:

- (i) The trustee of the revocable trust either:
 - (a) Possesses a power of sale with respect to the property,
 - (b) Has the power to reallocate the property to another beneficiary, or
 - (c) Is required to sell the property under the terms of any option subject to which the property was acquired by the revocable trust;
- (ii) Such transaction is approved by a court having jurisdiction over the trust or over the private foundation;
- (iii) Such transaction occurs, before the estate is considered terminated for Federal income tax purposes pursuant to paragraph (a) of section 1.641(b)-3 of this chapter (or in the case of a revocable trust, before it is considered subject to section 4947);
- (iv) The trust receives an amount which equals or exceeds the fair market value of the foundation’s interest or expectancy in such property at the time of the transaction, taking into account the terms of any option subject to which the property was acquired by the trust; and
- (v) With respect to transactions occurring after April 16, 1973, the transaction either:
 - (a) Results in the foundation receiving an interest or expectancy at least as liquid as the one it gave up,
 - (b) Results in the foundation receiving an asset related to the active carrying out of its exempt purposes, or
 - (c) Is required under the terms of any option, which is binding on the trust.

Section 4947(a)(2) of the Code provides, generally, that a nonexempt split-interest trust will be subject to certain provisions of Chapter 42 of the Code, including section 4941 of the Code, if the trust was created after May 26, 1969. A split interest trust is one in which not all of the expired interests are devoted to one or more of the purposes

described in section 170(c)(2)(B) and which had amounts in trust for which a deduction was allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2) or 2522.

Treas. Reg. § 53.4947-1(c)(6)(iii) provides that a revocable trust that becomes irrevocable upon the death of the decedent-grantor under the terms of the governing instrument of which the trustee is required to hold some or all of the net assets in trust after becoming irrevocable for both charitable and non-charitable beneficiaries is not considered a split interest trust under Section 4947(a)(2) of the Code for a reasonable period of settlement after becoming irrevocable, except that Section 4941 of the Code may apply if the requirements of Treas. Reg. § 53.4941(d)-1(b)(3) are not met. After that period, the trust is considered a split-interest trust under Section 4947(a)(2) of the Code.

Treas. Reg. 1.641(b)-3(a) provides, in part, that the period of administration or settlement of an estate is the period actually required by the administrator or executor to perform the ordinary duties of administration. If the administration of an estate is unreasonably prolonged, the estate is considered terminated for Federal income tax purposes after the expiration of a reasonable period for the performance by the executor of all the duties of administration. Further, an estate is considered terminated when all the assets have been distributed except for a reasonable amount which is set aside in good faith for the payment of unascertained or contingent liabilities and expenses.

Rev. Proc. 2025-3, section 3.01(85) provides that rulings will not be issued as to whether the period of administration or settlement of a trust is reasonable or unduly prolonged.

Section 170(f)(11)(E)(i) of the Code provides that the term “qualified appraisal” means, with respect to any property, an appraisal of such property which: (1) is treated for purposes of this paragraph as a qualified appraisal under regulations or other guidance prescribed by the Secretary, and (2) is conducted by a qualified appraiser in accordance with generally accepted appraisal standards and any regulations or other guidance prescribed under subclause (1).

Section 170(f)(11)(E)(ii) of the Code provides that the term “qualified appraiser” means an individual who: (1) has earned an appraisal designation from a recognized professional appraiser organization or has otherwise met minimum education and experience requirements set forth in regulations prescribed by the Secretary, (2) regularly performs appraisals for which the individual receives compensation, and (3) meets such other requirements as may be prescribed by the Secretary in regulations or other guidance.

ANALYSIS

During Decedent's lifetime, Decedent was Foundation's founder and manager and a substantial contributor to Foundation. Therefore, Decedent was a disqualified person under sections 4946(a)(1)(A) and 4946(a)(1)(B) of the Code.

A is a director of Foundation, a Trustee, a personal representative of Estate, and a family member of Decedent. Therefore, A is a disqualified person under sections 4946(a)(1)(B), 4946(a)(1)(G), and 4946(a)(1)(D) of the Code.

B is a director of Foundation, a Trustee, and a family member of Decedent. Therefore, B is a disqualified person under sections 4946(a)(1)(B), 4946(a)(1)(G), and 4946(a)(1)(D) of the Code.

C is a family member of Decedent. Therefore, C is a disqualified person under section 4946(a)(1)(D) of the Code.

D is Foundation's president, a Trustee, and a personal representative of Estate. Therefore, D is a disqualified person under sections 4946(a)(1)(B) and 4946(a)(1)(G) of the Code.

Each beneficiary of outstanding Specific Gifts is a family member of Decedent and is, therefore, a disqualified person under section 4946(a)(1)(D) of the Code.

Because family members of Decedent hold more than 35 percent of the beneficial interest in both Trust and Estate, both Trust and Estate are disqualified persons under section 4946(a)(1)(G).

Foundation has an interest or expectancy in every Trust asset available for distribution, and everyone involved in Proposed Distribution Plan is a disqualified person under section 4946(a) of the Code. Therefore, because Proposed Distribution Plan involves a non-pro rata distribution of Trust's assets, Proposed Distribution Plan would generally be considered indirect self-dealing under section 4941 of the Code unless an exception applies.

However, Treas. Reg. § 53.4941(d)-1(b)(3) provides that the term "indirect self-dealing" shall not include a transaction with respect to a private foundation's interest or expectancy in property (whether or not encumbered) held by a trust that has become irrevocable on a grantor's death, regardless of when title to the property vests under local law, if certain requirements are satisfied. Taxpayers make the following representations.

First, the Trust instrument provides that Trustees have broad powers to make divisions or distributions of Trust assets on a pro rata or non-pro rata basis, in cash or in kind,

and may allocate undivided interests in property and dissimilar property (without regard to its tax basis) to different shares.

Second, Probate Court approved Proposed Distribution Plan by issuing Court Order on Date 4.

Third, both Proposed Distribution Plan and Court Order require that Trustees make the divisions, distributions, and payments set forth in Proposed Distribution Plan as soon as practicable upon receipt of a favorable ruling. Taxpayers represent that such divisions, distributions, and payments will occur before Estate is considered terminated for federal income tax purposes under Treas. Reg. § 1.641(b)-3(a), and before Trust is subject to section 4947 of the Code pursuant to Treas. Reg. § 53.4947-1(c)(6)(iii).

Fourth, Trustees have calculated that the balance of Trust they need to distribute to Foundation to satisfy its interest is Amount 3. Trustees are satisfying Foundation's interest in Trust with Amount 3 of publicly traded shares of Company. The opinion letter from Appraiser states that Trust will retain an amount which equals or exceeds the fair market value of the Trust property that will be distributed to Foundation under Proposed Distribution Plan. The opinion letter also states that the amount retained by Trust would equal or exceed the fair market value of Foundation's interest or expectancy in the Trust property that would otherwise be available for distribution to Foundation under the terms of the Trust. Additionally, the terms of Proposed Distribution Plan require Trustees to make any adjustments to Proposed Distribution Plan that are necessary to ensure that this requirement is met.

Fifth, Foundation currently has an interest or expectancy in every Trust asset available for distribution, which includes alternative investments, mortgage notes receivable, and real estate investments. Pursuant to Proposed Distribution Plan, Foundation only would receive publicly traded shares of Company. The opinion letter Taxpayers received from Appraiser states that Proposed Distribution Plan results in Foundation receiving an interest or expectancy that is at least as liquid as it gives up. Additionally, the terms of Proposed Distribution Plan require Trustees to make any adjustments to Proposed Distribution Plan that are necessary to ensure that this requirement is met.

RULING

Based on the information and representations submitted on behalf of Taxpayers, we conclude that Proposed Distribution Plan does not constitute a prohibited act of self-dealing by disqualified persons with respect to property in which Foundation has an interest or expectancy within the meaning of section 4941(d) of the Code because Proposed Distribution Plan qualifies for the Estate Administration Exception described in Treas. Reg. Section 53.4941(d)-1(b)(3).

The ruling contained in this letter is based upon information and representations submitted by Taxpayers and accompanied by a penalty of perjury statement executed

by an appropriate party. While this office has not verified any of the material submitted in support of the request for a ruling, it is subject to verification on examination.

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 does not address the fair market value of Company's shares or whether any amount paid for Company's shares constitutes fair market value.

This ruling is directed only to Taxpayers. Section 6110(k)(3) of the Code 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 Taxpayers' authorized representatives.

A copy of this letter must be attached to any federal 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.

Sincerely,

Don R. Spellmann
Senior Counsel
Exempt Organizations Branch 3
(Employee Benefits, Exempt Organizations, and
Employment Taxes)