

November 2018

Private Foundations Bulletin

IRS Classification of Grantees of Private Foundations

When a private foundation files its annual Form 990-PF, it includes supplementary information to support the Part I, line 25, column (d) amount of “contributions, gifts, grants paid.” This information includes the name of the grantee, whether the grantee is an individual, and, if so, any relationship, the grantee address, the purpose and amount of the grant, and the Internal Revenue Service classification of the grantee organization. If a foundation’s grantee falls under the “public charity” classification, the “PC” status is used.

A common question from foundations is when to use the PC status code. The PC code indicates that the grantee is a public charity, as described in Section 509(a)(1) or (2) of the Internal Revenue Code (IRC). Below is a summary of types of entities included in the PC status code.

509(a)(1) Organizations

Section 509(a)(1) organizations normally include:

- A church or a convention or association of churches.
- An educational organization which normally maintains a regular faculty and curriculum.
- An organization whose principal purpose or function is the provision of medical or hospital care or medical education or medical research.
- An organization which normally receives a substantial part of its support from the United States or any State or political subdivision thereof or from direct or indirect contributions from the general public.
- A State, a possession of the United States, or any political subdivision of any of the foregoing, or the United States or the District of Columbia, but only if the contribution or gift is made for exclusively public purposes.
- A corporation, trust, or community chest, fund, or foundation which normally receives a substantial part of its support from a governmental unit or from direct or indirect contributions from the general public.

509(a)(2) Organizations

Generally speaking, a Section 509(a)(2) organization is one which normally receives more than one-third of its support in each taxable year from any combination of gifts, grants, contributions, or membership fees, and gross receipts from admissions, sales of merchandise, performance of services, or furnishing of facilities, in an activity which is related to its exempt purpose. Normally, it receives not more than one-third of its support in each taxable year from the sum of gross investment and unrelated business taxable income.

509(a)(2) organizations generally include, but are not limited to, nursing homes, child care agencies, research organizations, and certain museums.

Conclusion

If the foundation’s grantee organization is one described above — subject to certain circumstances and conditions — then the “PC” status code should be used. The Form 990-PF instructions provide codes to use for foundations as to the status of grantee recipients and also clarifies circumstances under which grants are reported.

Contact Us

We welcome the opportunity to speak with you about any questions you may have regarding this newsletter or any other subject related to accounting, audit, tax or advisory matters relative to private foundations. Please contact us:

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