

Limited Liability Company Reference Guide Sheet

This Reference Guide Sheet is designed to help process: (1) requests for information on the treatment, under federal tax law, of limited liability companies associated with tax-exempt organizations, and (2) IRC 501(c)(3) exemption applications filed by limited liability companies. Refer to the Instructions for Limited Liability Company Reference Guide Sheet to help complete this Guide Sheet. The Instructions also reference additional resources and a model information letter. Exemption applications filed by LLCs under sections other than 501(c)(3) should be coordinated with the EO Group Manager, since the application of federal tax law to such LLCs is not entirely clear.

PART I -- This part addresses general federal tax issues that may arise regarding an LLC:

YES

NO

		YES	NO
1	Has information been requested regarding the treatment of an LLC that is associated with a tax-exempt organization? If "Yes," consider sending the model information letter that is referenced in the attached instructions.		
2	Has an LLC applied for recognition of exemption by filing a Form 1023 application? If "Yes," continue to Part II.		

PART II -- This part addresses issues that may arise regarding a Form 1023 application filed by an LLC for exemption under section 501(c)(3). A "Yes" response generally indicates that the LLC meets the organizational test for exemption, though the activities of the LLC should still be examined to confirm that it meets the operational test. Any "No" response indicates that a requirement for exemption has not been satisfied. In this circumstance, the application should be coordinated with the EO Group Manager.

1	Do the organizational documents (e.g., Articles of Organization, Operating Agreement (or their equivalents)) include a specific statement limiting the LLC to one or more exempt purposes?		
2	Do the organizational documents specify that the LLC is operated exclusively to further the exempt purpose(s) of its members?		
3	Does the organizational language require that the LLC's members be limited to section 501(c)(3) organizations, governmental units, or wholly owned instrumentalities of a state or political subdivision thereof?		

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	Part II (continued)	YES	NO
4	Does the organizational language prohibit any direct or indirect transfer of any membership interest in the LLC to a transferee other than a section 501(c)(3) organization or governmental unit or instrumentality?		
5	Does the organizational language state that the LLC's assets may only be transferred (whether directly or indirectly) to any nonmember, other than a section 501(c)(3) organization or governmental unit or instrumentality, in exchange for fair market value?		
6	Does the organizational language provide that upon dissolution of the LLC, the LLC's assets will continue to be devoted to tax-exempt purposes?		
7	Does the organizational language require that any amendments to the LLC's articles of organization and operating agreement be consistent with section 501(c)(3)?		
8	Does the organizational language prohibit the LLC from merging with, or converting into, an entity that is not exempt under section 501(c)(3)?		
9	Does the organizational language prohibit the LLC from distributing any assets, other than in exchange for fair market value, to members who have ceased to be either organizations described in section 501(c)(3) or governmental units or instrumentalities?		
10	Does the organizational language include an acceptable contingency plan in the event one or more members of the LLC ceases at any time to be an organization described in section 501(c)(3) or a governmental unit or instrumentality?		
11	Does the organizational language state that the LLC's tax-exempt members will expeditiously and vigorously enforce all of their rights in the LLC and pursue all legal and equitable remedies to protect their interests in the LLC?		
12	Does the LLC represent, in a separate written statement, that all of its organizing document provisions are consistent with state LLC laws, and are enforceable at law and in equity?		