The JV Foundation Guide

A founder's guide to discussing charitable joint ventures, governance, liquidity and life insurance with independent legal, tax and financial advisers.

Understand the structure. Ask better questions.

Charitable ownership · Governance · Liquidity · Life insurance

About this guide

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U.S. federal framework, with state-law and cross-border questions identified for separate review. Educational material, not a legal opinion, tax position, investment recommendation or assurance that a proposed transaction will work.

Read and search the web edition at shorelinebrokerageservices.com/jv-foundation/guide. Numbered references link to the source register. The sources distinguish statutes and regulations from fact-specific rulings and nonprecedential advice. Private client records and confidential opinions are not reproduced.

Contents

1. What JV Foundation means

A founder can want to support a charitable mission while still needing a coherent plan for family liquidity, business interests and long-term commitments. A charitable joint venture is one possible subject for that planning conversation. The useful question is not how to keep everything after making a gift. It is what the founder is genuinely willing to give away, what the charity will own, and whether any continuing relationship serves both parties on defensible terms.

This guide uses JV Foundation as an editorial label for charitable joint-venture planning. It does not identify a newly created tax exemption, an IRS-approved product, a registered charity or a separate legal entity type. A venture might use an LLC classified as a partnership, with a tax-exempt charity and a taxable private party as members. The LLC does not become a tax-exempt foundation merely because the charity owns most of it. Classify the venture and the charitable participant separately. [1] [2] [3]

A frequently discussed illustration is 98% charitable ownership and 2% private ownership. Those percentages describe a proposed economic arrangement, not a statutory safe harbor. They do not establish a deduction, resolve donor-advised-fund status, authorize a loan to the donor or determine who actually controls the assets. Genuine economics, legal rights and actual conduct matter more than a label or organizational chart. [4] [5] [6]

The charitable objective should survive a disappointing investment year, an unavailable loan and a lower-than-expected tax deduction. Before considering complexity, compare a direct gift, a donor-advised fund, a private foundation, a charitable remainder trust or retaining assets and giving over time. Ask advisers to compare costs, control, timing and irrevocability. The right outcome may be a simpler structure.

Start the conversation

- What assets and economic rights am I prepared to transfer permanently?
- What additional purpose would a joint venture serve beyond making a gift?
- Which entity would be taxable, which would be exempt, and what classification applies to each?

2. Draw the ownership and money flows

Begin with three separate drawings: ownership, decision rights and money movement. An ownership chart alone hides too much. A charity can appear to own almost everything while a side agreement, withdrawal power or removal right leaves the private party with practical control. Conversely, employing professionals to administer assets does not by itself transfer the charity's responsibilities to them.

Participant	Question to resolve
Founder or family	What is given away, retained, pledged or borrowed?
Charitable member	What enforceable economic and governance rights does it receive?
Joint-venture LLC	What activity does it conduct, and how is it classified for tax?
Investment adviser	What discretion, custody arrangements and compensation apply?
Administrator or independent approver	What can this person approve, reject, record and escalate?
Insurer and any bank	Who owns the policy, owes the debt and has first claim on collateral?

Then map each proposed transfer: contributions, gifts of interests, sales, distributions, fees, loans, premiums and repayments. Identify the account holder, legal owner, authorizer and supporting document for every movement. Use solid descriptions of actual contracts rather than assuming that a donor, borrower, insured, policy owner and beneficiary are the same person.

A contribution of property to a partnership is not the same event as a charitable gift of a partnership interest. A cash distribution to a member is not the same as a bona fide loan to that member. Section 721 supplies a general contribution nonrecognition rule with exceptions, while section 707 addresses transactions between partners and partnerships, including disguised sales. The sequence must be analyzed as a whole rather than treating each arrow as an isolated favorable tax event. [7] [8]

Ask for a transaction map

- Show every entity, tax classification, bank account, policy and contractual counterparty.
- Label each movement as gift, capital contribution, purchase, distribution, fee, loan or repayment.
- Identify who can stop each movement, and what happens if that person says no.
- Include side letters, guarantees, options, repurchase rights and informal understandings.

3. Make charitable ownership substantive

There is established authority for tax-exempt organizations participating in joint ventures. Revenue Ruling 98-15 contrasts two whole-hospital arrangements, emphasizing governing provisions and the ability to pursue charitable purposes. Revenue Ruling 2004-51 addresses an ancillary educational venture in which the exempt participant controls the educational aspects and the economic arrangements reflect the parties' contributions. Neither ruling is a blanket approval of a donor-liquidity or life-insurance financing program. [9] [10]

For the charitable participant, section 501(c)(3) and its regulations require operation for exempt purposes rather than private interests. A significant nonexempt purpose or impermissible private benefit cannot be cured by adding a charitable owner on paper. The relevant analysis includes the venture's activities, the charity's role and the benefits furnished to private participants. [1] [11]

Ask the charity's advisers to distinguish an investment held to support its mission from an operating venture that carries out the mission itself. Investment income, unrelated business income and an activity that jeopardizes exemption are different questions. A prudent investment can still produce taxable income; a promise to donate future profits does not make every commercial activity substantially related to the charity's purposes. [10] [12]

Translate the analysis into decision rights. Who selects and removes managers? Who approves related-party transactions? Can the charity obtain records, challenge a valuation, enforce a debt and receive its economic share on dissolution? What prevents an interested party from replacing an independent decision-maker after an unfavorable decision? These are questions for the governing documents and operating record, not a universal drafting checklist.

Evidence worth requesting

- The charity's governing documents, exemption record and relevant public filings.
- A written explanation of the charitable purpose and why participation advances it.
- A decision-rights matrix, conflicts process and independent approval record.
- Economic rights that match the reported ownership, plus a workable enforcement and exit process.

[13]

4. Analyze the gift before the tax result

A claimed charitable deduction begins with a completed, qualifying transfer to an eligible recipient. Section 170 contains rules for eligible recipients, partial interests, substantiation and noncash contributions. Giving an interest does not automatically establish a deduction equal to a percentage of the gross assets beneath it. Rights retained by the donor, restrictions, liabilities, consideration and the precise property transferred can change the analysis. [14]

Valuation is a separate professional workstream. For noncash gifts, determine whether a qualified appraisal, qualified appraiser, Form 8283 and other documentation are required, including applicable exceptions and thresholds. Ask the appraiser to value the actual interest, under the actual agreement, on the relevant date. An appraisal does not cure an incomplete gift or establish that the transaction's tax theory is valid. [15]

Timing matters when an asset may be sold. In Estate of Hoensheid v. Commissioner, the Tax Court examined a gift shortly before a business sale, assignment of income and appraisal defects. A transaction need not be rescued merely because the final sale contract was unsigned when the gift occurred. The advisers need the full sale chronology and governing authorities, including the state of negotiations and whether the right to income had already become fixed. [16]

Do not combine a gift deduction and an assumed elimination of gain into a single estimate. Ask for separate conclusions on gift completion, deduction eligibility, valuation, income assignment and the tax treatment of a later sale. Then have the CPA apply the rules for the actual contribution year, property type, recipient and taxpayer, including percentage limits, floors, carryforwards and state treatment. This guide does not estimate a deductible amount.

Bring these facts to counsel

- Acquisition dates, basis records, restrictions, debt and the ownership documents.
- Sale discussions, letters of intent, approvals, buyer communications and expected closing dates.
- The exact donated rights, retained rights and any promised benefit to the donor.
- A gift-acceptance record, acknowledgment and appraisal timetable that precede filing.

5. Keep economics and tax allocations connected

A partnership generally passes tax items to its partners. The allocation written in an operating agreement is not conclusive: section 704(b) requires the appropriate substantial-economic-effect or partners'-interests analysis. A proposed charitable allocation needs support in actual economic rights, including how gains, losses, distributions and liquidation proceeds affect each partner. [4]

Appreciated property adds a separate built-in-gain question. Section 704(c) addresses the difference between tax basis and value at contribution. Treasury Regulation section 1.704-3(a)(7) supplies a rule for the transfer of a partnership interest and associated built-in gain or loss. That rule must be read alongside its anti-abuse provisions and the real transfer facts. It does not independently validate a charitable gift or guarantee that pre-gift appreciation escapes tax. [4] [17]

Request a worked ledger rather than a slogan. The tax team should reconcile outside basis, inside basis, book capital, section 704(c) layers, liabilities, distributions and liquidation rights. Ask how the chosen method behaves when an asset rises or falls, when interests change hands and when assets are distributed instead of sold. Tiered entities make this reconciliation more important, not less.

Tax exemption at the charitable partner does not mean every item it receives is tax-free. Section 512 includes partnership look-through rules and exclusions for certain investment income, with exceptions. Section 514 can bring debt-financed income into unrelated business taxable income. Activity, leverage, controlled-entity payments and particular asset types must be reviewed separately. Ask whether the charity needs Form 990-T and who supplies the calculations. [12] [18]

Avoid importing trust-accounting concepts into partnership tax without an actual legal basis. Calling gains corpus, routing them through an LLC or using a favorable ownership percentage does not replace the applicable rules. An operating agreement should describe the intended economics; the accountant should be able to show how the tax reporting follows them.

Key question

If the charity receives 98% of an allocated gain, what enforceable economic benefit does it receive, and where is that benefit visible in the accounts and eventual cash flows?

6. Classify the charity and donor before any loan

A proposed loan to the founder requires its own analysis. The correct starting point is not the interest rate. It is the identity of the lender, the classification of the charitable arrangement, the recipient's status and whether the benefit is furnished directly or indirectly. Different regimes can impose materially different restrictions.

Regime	Why it changes the question
Private foundation	Section 4941 generally treats lending between a private foundation and a disqualified person as self-dealing, subject to specific exceptions. Fair-market pricing is not a general cure. Review section 4946 status.
Donor-advised fund	Section 4958(c)(2) specifically addresses loans and similar payments to covered donors, advisers and related persons. Sections 4966 and 4967 add distribution and benefit rules.
Supporting organization	Section 4958(c)(3) contains special rules for loans and certain payments involving specified contributors and disqualified persons.
Other public charity	Analyze substantial influence, excess benefits, private benefit, inurement, fiduciary duties and indirect transactions. Being outside one special regime does not establish permissibility.

[19] [20] [21] [5] [22]

Donor-advised-fund status is a statutory question. Section 4966(d)(2) looks at a separately identified fund or account, ownership and control by a sponsoring organization, and donor advisory privileges or reasonable expectations arising from donor status, subject to exceptions. Naming something a JV, inserting an LLC or avoiding the letters DAF does not decide the result. [5]

For ordinary section 4958 analysis, substantial influence involves more than job titles. Regulations address facts such as founding the organization, substantial contributions, authority over expenditures and management of a significant activity. A small ownership interest in the venture is not a universal non-disqualified-person exemption. The analysis should be updated as relationships and contributions change. [23]

Request a written classification answer

- Which regime applies, and which facts support that conclusion?
- Who is covered directly or through family, control or indirect-benefit rules?
- What could change that answer after the structure is established?
- If a loan is prohibited, what simpler funding alternative serves the family without using charitable assets?

7. Treat a proposed loan as an investment decision

Only after the legal classification permits consideration of a loan should the credit decision begin. An independent lender asks why this borrower, at this price, on these terms, is a suitable use of capital compared with alternatives. The inquiry should include borrower solvency, liquidity, concentration, collateral enforceability, maturity and repayment sources, not simply a future death benefit.

The applicable federal rate and a market credit price answer different questions. Section 7872 addresses certain below-market loans. Satisfying an applicable tax interest rule does not establish that a loan offers adequate compensation for the borrower's risk, is prudent for the charity or is permitted under another statute. Request comparable lending terms or an independent pricing analysis. [24]

Where relevant, the section 4958 rebuttable-presumption procedures involve advance approval by an authorized body without conflicts, appropriate comparability information and timely documentation. Those procedures do not legalize a transaction prohibited under a different rule. They are also not satisfied by minutes that merely repeat a conclusion without showing what was reviewed. [25]

A usable credit file explains collateral values and haircuts, lien priority, covenants, reporting, remedies, extension standards and an independent decision-maker's ability to decline or enforce. The person benefiting from the financing should not be able to guarantee approval through undisclosed arrangements. If interest accrues rather than being paid currently, the growing obligation belongs in every collateral and repayment test.

Illustrative arithmetic, not a financing quote

A hypothetical $1 million debt with 8% annual capitalized interest grows to about $2.159 million after ten years, before fees. At 10%, it grows to about $2.594 million. These assumptions are not market rates or forecasts. They show why a fixed policy face amount, a projected cash value and a growing loan balance cannot be treated as interchangeable measures of protection.

- What repays the debt if the insured lives much longer than expected?
- What happens if collateral falls, coverage lapses or a claim is delayed?
- Can the lender enforce its rights against this borrower in practice, not just on paper?
- Would an independent investor accept the same risk and compensation?

8. Give life insurance its own legal and economic review

Life insurance can be relevant to family protection, estate liquidity or a repayment plan, but it is not a substitute for a valid gift or sound loan. Start with an ownership and beneficiary schedule: insured, applicant, policy owner, premium payer, primary and contingent beneficiaries, collateral assignee and ultimate recipient of any residual proceeds. Ask what each person may change and whose consent is required.

A particularly important question is section 170(f)(10), covering transfers connected with certain personal-benefit contracts. It addresses direct or indirect premium payments and understandings or expectations of such payments. Where charitable transfers and family-benefiting insurance interact, counsel should analyze the actual funding and benefit flows rather than assume that using another entity, a loan or a collateral assignment removes the issue. [14]

Section 101 provides the principal federal income-tax framework for death benefits and important exceptions, including transfer-for-value and employer-owned-policy rules. Section 264 addresses specified premium and interest deductions. Section 2042 concerns estate inclusion. Modified-endowment-contract rules require another analysis. Income-tax treatment, estate-tax treatment and the availability of cash during life are separate conclusions. [26] [27] [28] [29]

An insurance review should compare guaranteed and non-guaranteed values, funding requirements, policy charges, surrender provisions, loan mechanics and lapse scenarios. Ask for in-force reviews over time, not only the initial illustration. State insurable-interest law, carrier requirements and any trust or entity authority must fit the parties and proposed transactions.

Questions for the insurance and legal teams

- Is the coverage justified independently of the proposed charitable transaction?
- Does any charitable transfer directly or indirectly support a personal-benefit contract?
- Who is entitled to proceeds first, and how is an assignee's claim calculated?
- What happens under guaranteed values, lower performance, higher borrowing costs and longer survival?
- How are compensation, replacement incentives and ongoing service responsibilities disclosed?

9. Keep Swiss-bank financing distinct from the charitable JV

Swiss-bank premium financing and a charitable JV loan are different transactions. A bank may finance premiums or lend against specified collateral under its own underwriting and documentation. A charitable venture considering a loan must satisfy the rules governing its own participants and assets. Combining the two requires analysis of the connections; neither transaction confers validity on the other.

A bank's location does not establish a particular interest rate, collateral advance, tax result or willingness to lend. Obtain a written proposal identifying borrower, currency, interest benchmark, spread, fees, term, renewal discretion, collateral eligibility and enforcement jurisdiction. Distinguish a preliminary illustration from a binding commitment and a policy illustration from a lender-approved collateral schedule.

Stress to model	Question for the bank and advisers
Interest rates rise	Who funds higher interest and any additional collateral?
Pledged assets fall	What is the margin-call trigger, cure period and liquidation right?
Currency moves	Are debt, collateral, premiums and proceeds in the same currency? If not, who bears the mismatch?
Policy values disappoint	Which values count as collateral, with what haircut and update frequency?
Credit is not renewed	Can the borrower repay without a forced sale or policy lapse?
A death claim is delayed	Who services debt and preserves coverage while the claim is processed?

Ask U.S. and relevant foreign advisers to identify applicable account, asset and entity reporting. Form 8938 and the FBAR have different tests and can both apply; ownership, signature authority, residency and asset type matter. An offshore account or foreign lender is not a general exemption from U.S. tax or reporting. [30]

Separate the decisions

- Would the family still want this insurance without the financing?
- Would the financing make sense without a charitable deduction?
- Would the charity still approve its participation if neither financing arrangement occurred?
- Is there a funded exit route that does not rely on another favorable loan being available?

10. Build an operating record that matches the documents

The operating agreement is a beginning, not the operating record. Schedule recurring reviews of investments, loans, policy funding, compensation, conflicts, tax reporting and the charity's actual economic benefit. An independent approval that never occurs in practice is not an effective control. Written authority should match bank access, trading permissions and the people moving money.

IRS enforcement materials make this distinction concrete. The IRS's December 2024 warning discusses abusive charitable-LLC arrangements in which donors retain control or reclaim assets. Chief Counsel Advice 20260401F examines an arrangement involving ineffective charitable ownership and departures from its own documents. The memorandum expressly is not precedent; it is useful as an example of the facts the IRS scrutinized, not a universal ruling on every charitable venture. [6] [31]

Ask advisers to address economic substance where relevant and partnership anti-abuse rules. Section 7701(o) provides a statutory framework when the economic-substance doctrine is relevant; Treasury Regulation section 1.701-2 addresses partnership anti-abuse. A transaction should not depend on a series of steps that look meaningful separately but leave the economic position inconsistent with the claimed tax result. [32] [33]

Record	What it should demonstrate
Approvals and minutes	Who considered the proposal, conflicts, alternatives and reasons.
Accounting and capital ledgers	Reconciliation of economics, distributions and tax reporting.
Credit and collateral reviews	Current debt balance, repayment capacity, collateral and exceptions.
Policy reviews	Coverage in force, required funding and updated value assumptions.
Charitable reporting	What the charity received and how its rights were exercised.
Exception log	Missed covenants, late payments, disagreements and corrective actions.

A third-party administrator, registered investment adviser or independent director may be useful, depending on the arrangement. None is a universal statutory safe harbor. Ask what responsibility the role actually covers, what authority supports it, and what it does not replace. Keep a named owner for every recurring obligation.

11. Use a simple hypothetical to expose the hard questions

Consider a purely hypothetical venture holding $10 million of cash, with genuine 98% charitable and 2% private economic interests. Assume no liabilities, no fees, equal per-unit rights and no preferential arrangements. This example illustrates arithmetic only. It does not establish that a prior gift is deductible or that any subsequent loan is permissible.

Event under the stated assumptions	Charitable economics	Private economics
Initial $10 million net assets	$9.8 million economic share	$200,000 economic share
A $1 million pro rata cash distribution	$980,000 received	$20,000 received
A hypothetical $1.5 million loan to the private member	Exposure to the venture's loan asset and its credit risk	A $1.5 million repayment obligation, not an extra ownership share

In the lending example, cash is replaced by a receivable. A receivable worth its face amount could preserve net asset value at inception, but a weak, underpriced or unenforceable receivable may not. If its real value is lower, recording the face amount does not eliminate the loss or explain why the charity should accept it. A family member's ability to spend borrowed cash is not proof that charitable property remains adequately protected.

Now vary one assumption at a time: interest is capitalized, collateral falls, the borrower cannot refinance, the insured lives longer, a policy needs more premiums, or the charity wants liquidity. Ask for the effect on each party's cash, debt, rights and tax reporting. Do not offset a liquid obligation with a non-guaranteed projection as though the two were equivalent.

Three separate sign-offs

- Legal and tax: Is the arrangement permissible, and which tax positions can be supported on these facts?
- Charity governance and credit: Why is the transaction in the charity's interests, and can it be enforced?
- Family planning: Can the family meet its obligations without needing discretionary access to charitable assets?

If one of those answers is missing, the spreadsheet is unfinished even if the projected net worth rises. Good planning identifies who carries each risk and what resources are available when the favorable assumptions do not occur.

12. Take a focused brief to your advisers

The most productive first meeting starts with a short factual brief rather than a demand to approve a structure. Describe the charitable mission, assets, basis, ownership, expected liquidity events, family commitments and existing entities. State which assets you are prepared to relinquish and which resources must remain available outside the charitable arrangement.

A copy-ready opening request

I would like to evaluate whether a charitable joint venture is appropriate for my circumstances compared with simpler alternatives. Please assess the actual ownership, governance, tax classifications and money flows, not the JV Foundation label. I am not assuming a deduction, a particular allocation of gain or permission to borrow. Please identify the facts and documents needed, the issues you can address, the specialist input required and the circumstances in which you would advise against proceeding.

Ask for these work products

- A comparison of practical alternatives, total setup costs and recurring obligations.
- An entity and transaction map showing every gift, sale, payment, loan, pledge and policy.
- A charity-classification, donor-status and indirect-benefit analysis.
- Separate conclusions on gift completion, deduction, valuation, sale timing and income assignment.
- A partnership allocation and basis model reconciled to economic rights.
- A written review of any proposed loan, insurance connection and cross-border element.
- A governance and operations calendar, including tax filings, approvals and exception handling.
- A list of unresolved questions, adverse authorities, assumptions and events requiring an update.

Assign responsibility by subject. The donor's lawyer does not automatically represent the charity. The insurance producer does not replace tax counsel. The investment adviser does not determine the donor's deduction. The bank's approval is a credit decision, not an opinion on the charitable plan. Ask each participant to state whom they represent, how they are paid, their scope and any conflicts.

Use a secure channel for supporting records. A public guide or introductory email needs no account numbers, health information, tax returns, private keys or client-identifying documents. Start with a concise description, then exchange sensitive material through the relevant professional's established process.

13. Read opinions and citations for their actual scope

A useful legal opinion identifies the client, transaction, documents, facts assumed, law considered, conclusions reached and issues excluded. Ask whether it addresses the final executed arrangement or an earlier proposal. A conclusion resting on no donor advisory privileges, independent approvals or sufficient collateral has to be revisited if those facts are not true.

Circular 230 section 10.37 sets standards for written federal tax advice, including reasonable assumptions, consideration of relevant facts and reasonable application of law. An opinion is professional analysis, not an IRS approval or insurance against an adverse result. A document titled memo, preliminary assessment or draft should not be represented as a final reliance opinion. [34]

Source type	How to read it
Statute or Treasury regulation	Identify the operative provision, exceptions, effective dates and fit to the facts.
Judicial opinion	Read the holding and facts, then consider the court, jurisdiction and later treatment.
Published revenue ruling	Use the IRS's reasoning within the stated facts; avoid extending it to unrelated arrangements.
Private letter ruling or Chief Counsel advice	Useful for understanding analysis, but generally not usable as precedent under section 6110(k)(3).
Private professional opinion	Check addressee, permitted reliance, assumptions, scope, date and documents reviewed.

[35]

Two examples show why this matters. PLR 202451009 concerns charitable activities of LLCs wholly owned by an exempt organization. It does not approve a 98/2 donor-owned venture or a loan-back program. Revenue Ruling 2007-13 concerns life-insurance transfers involving grantor trusts; it is not a cryptocurrency charitable-contribution ruling. A valid citation can still be used for a proposition it does not support. [36] [37]

A better question than 'Do we have an opinion?'

Which precise conclusions may I rely on, for which transaction and facts, and which important issues remain outside the opinion? Ask for both supporting and adverse authorities, and a plan to revisit the analysis when facts or law change.

14. Define a good decision before implementation

A good outcome is not necessarily forming a venture. It may be making a simpler gift, changing the asset contributed, separating insurance funding from charitable assets, reducing borrowing or deciding that the family needs to retain more liquid capital. The objective is a durable charitable commitment and an independently sustainable family plan.

Use four questions at the final review: Is the charitable benefit real? Do the legal conclusions fit the completed facts? Are the economics acceptable without optimistic financing or investment assumptions? Can the arrangement be administered consistently over its life? A label, an illustration and a stack of signed documents do not answer those questions on their own.

Additional issues for the appropriate specialist

- State charity, trust, fiduciary, entity, lending and insurable-interest rules.
- Private-foundation or DAF excess-business-holdings rules where applicable. A passive-income exception to one rule does not eliminate other taxes or restrictions.
- Gift and estate tax, entity-level filings, registration, custody and investment-management requirements.
- Foreign accounts, foreign entities, currency exposures, treaty questions and local-law enforceability.
- Exit rights, deadlock, incapacity, death, disputed valuations and changes in advisers.

[38]

Working vocabulary

- UBTI: unrelated business taxable income of an otherwise exempt organization.
- Built-in gain: appreciation already present when property enters the relevant tax arrangement.
- Disqualified person: a status defined under a particular tax regime, not a general label for every donor.
- Collateral assignment: a security arrangement involving policy rights; distinct from simply naming a beneficiary.
- Rebuttable presumption: an evidentiary framework with conditions, not a universal exemption.
- Economic substance: analysis of the real transaction, separate from the names used in documents.

Shoreline Brokerage Services helps founders connect insurance objectives with the broader questions their legal, tax, investment and financing advisers need to resolve. An introductory conversation can establish whether an insurance implementation role is useful. Shoreline is an insurance brokerage, not a law firm, tax adviser, investment adviser, lender or charity. It does not issue legal opinions or accept charitable donations through this guide.

This first edition is an educational discussion framework reviewed against the public sources listed below as of September 9, 2026. It does not reproduce confidential client records or private legal opinions. It is not exhaustive, and transaction-specific advisers should confirm current law, effective dates and all relevant facts before implementation or filing.

Sources and legal authorities

Source register for this edition. Read the complete authority and recheck current law with your advisers. The notes describe scope, not approval of a particular transaction.

[1] Internal Revenue Code section 501(c)(3)

United States Code, reproduced by Cornell LII. Exempt-organization purposes and private-inurement limitation.

https://www.law.cornell.edu/uscode/text/26/501

[2] Internal Revenue Code section 509

United States Code, reproduced by Cornell LII. Private-foundation and public-charity classification framework.

https://www.law.cornell.edu/uscode/text/26/509

[3] Notice 2021-56, standards for section 501(c)(3) recognition of LLCs

IRS, Internal Revenue Bulletin 2021-45. Distinguish an exempt LLC from a taxable joint venture with a charitable member.

https://www.irs.gov/irb/2021-45_IRB

[4] Internal Revenue Code section 704

United States Code, reproduced by Cornell LII. Economic allocations, contributed property and interests created by gift.

https://www.law.cornell.edu/uscode/text/26/704

[5] Internal Revenue Code section 4966, especially subsection (d)(2)

United States Code, reproduced by Cornell LII. Statutory donor-advised-fund definition and taxable-distribution framework.

https://www.law.cornell.edu/uscode/text/26/4966

[6] IR-2024-304: Charitable contribution scams on the rise

IRS Newswire, December 4, 2024. Official IRS communication on abusive charitable-LLC arrangements; not a blanket prohibition of all charitable joint ventures.

https://content.govdelivery.com/accounts/USIRS/bulletins/3c56ff3

[7] Internal Revenue Code section 721

United States Code, reproduced by Cornell LII. General partnership contribution nonrecognition rule and exceptions.

https://www.law.cornell.edu/uscode/text/26/721

[8] Internal Revenue Code section 707

United States Code, reproduced by Cornell LII. Partner-partnership transactions and disguised-sale provisions; includes 2025 amendment notes.

https://www.law.cornell.edu/uscode/text/26/707

[9] Revenue Ruling 98-15

IRS, 1998-1 C.B. 718. Two whole-hospital joint-venture situations and charitable control; fact-specific published guidance.

https://www.irs.gov/pub/irs-drop/rr-98-15.pdf

[10] Revenue Ruling 2004-51

IRS, 2004-22 I.R.B. 974. Ancillary educational joint venture, proportional economics and control over educational aspects.

https://www.irs.gov/pub/irs-drop/rr-04-51.pdf

[11] Treasury Regulation section 1.501(c)(3)-1

Code of Federal Regulations, reproduced by Cornell LII. Organizational and operational tests, exempt purposes and private interests.

https://www.law.cornell.edu/cfr/text/26/1.501(c)(3)-1

[12] Internal Revenue Code section 512

United States Code, reproduced by Cornell LII. UBTI, investment-income exclusions, exceptions and partnership look-through.

https://www.law.cornell.edu/uscode/text/26/512

[13] Tax Exempt Organization Search

IRS. Public exemption, filing and related verification resources.

https://www.irs.gov/charities-non-profits/tax-exempt-organization-search

[14] Internal Revenue Code section 170, including (f)(3), (8), (10), (11) and (18)

United States Code, reproduced by Cornell LII. Charitable gifts, partial interests, substantiation, personal-benefit contracts and DAF acknowledgments.

https://www.law.cornell.edu/uscode/text/26/170

[15] Publication 561: Determining the Value of Donated Property

IRS, December 2025 revision. Valuation and qualified-appraisal guidance; publication guidance is not a transaction-specific opinion.

https://www.irs.gov/publications/p561

[16] Estate of Hoensheid v. Commissioner, T.C. Memo. 2023-34

United States Tax Court, March 15, 2023; opinion reproduced by Counsel Stack. Judicial opinion addressing gift timing, assignment of income and appraisal failures; not a categorical rule for every presale gift.

https://law.counselstack.com/opinion/estate-of-scott-m-hoensheid-anne-m-hoensheid-personal-representative-tax-2023

[17] Treasury Regulation section 1.704-3, especially (a)(7), (9) and (10)

Code of Federal Regulations, reproduced by Cornell LII. Built-in-gain successor rules, tiered partnerships and anti-abuse limitations.

https://www.law.cornell.edu/cfr/text/26/1.704-3

[18] Internal Revenue Code section 514

United States Code, reproduced by Cornell LII. Unrelated debt-financed income.

https://www.law.cornell.edu/uscode/text/26/514

[19] Internal Revenue Code section 4941

United States Code, reproduced by Cornell LII. Private-foundation self-dealing, including lending, and specified exceptions.

https://www.law.cornell.edu/uscode/text/26/4941

[20] Internal Revenue Code section 4946

United States Code, reproduced by Cornell LII. Disqualified-person definitions for relevant private-foundation provisions.

https://www.law.cornell.edu/uscode/text/26/4946

[21] Internal Revenue Code section 4958

United States Code, reproduced by Cornell LII. Excess benefits; special DAF and supporting-organization payment and loan rules.

https://www.law.cornell.edu/uscode/text/26/4958

[22] Internal Revenue Code section 4967

United States Code, reproduced by Cornell LII. Prohibited benefits associated with DAF distributions.

https://www.law.cornell.edu/uscode/text/26/4967

[23] Treasury Regulation section 53.4958-3

Code of Federal Regulations, reproduced by Cornell LII. Substantial influence and disqualified-person facts and circumstances.

https://www.law.cornell.edu/cfr/text/26/53.4958-3

[24] Internal Revenue Code section 7872

United States Code, reproduced by Cornell LII. Certain below-market loans; not general approval of a donor loan.

https://www.law.cornell.edu/uscode/text/26/7872

[25] Treasury Regulation section 53.4958-6

Code of Federal Regulations, reproduced by Cornell LII. Independent advance approval, comparability and documentation for the rebuttable presumption.

https://www.law.cornell.edu/cfr/text/26/53.4958-6

[26] Internal Revenue Code section 101

United States Code, reproduced by Cornell LII. Death-benefit income-tax rules and exceptions, including transfer-for-value and employer-owned coverage.

https://www.law.cornell.edu/uscode/text/26/101

[27] Internal Revenue Code section 264

United States Code, reproduced by Cornell LII. Specified premium and interest deduction limitations.

https://www.law.cornell.edu/uscode/text/26/264

[28] Internal Revenue Code section 2042

United States Code, reproduced by Cornell LII. Life-insurance proceeds and estate inclusion.

https://www.law.cornell.edu/uscode/text/26/2042

[29] Internal Revenue Code section 7702A

United States Code, reproduced by Cornell LII. Modified-endowment-contract classification; policy-access consequences require additional analysis.

https://www.law.cornell.edu/uscode/text/26/7702A

[30] Basic questions and answers on Form 8938

IRS. Foreign-asset reporting and the distinction from FBAR requirements.

https://www.irs.gov/businesses/corporations/basic-questions-and-answers-on-form-8938

[31] Chief Counsel Advice 20260401F

IRS Office of Chief Counsel, publicly released 2026. Nonprecedential analysis of a particular charitable-LLC arrangement; used only to illustrate issues examined in enforcement.

https://www.irs.gov/pub/irs-lafa/20260401f.pdf

[32] Internal Revenue Code section 7701(o)

United States Code, reproduced by Cornell LII. Economic-substance framework where the doctrine is relevant.

https://www.law.cornell.edu/uscode/text/26/7701

[33] Treasury Regulation section 1.701-2

Code of Federal Regulations, reproduced by Cornell LII. Partnership anti-abuse rule.

https://www.law.cornell.edu/cfr/text/26/1.701-2

[34] Circular 230, section 10.37

31 CFR, reproduced by Cornell LII. Requirements for written federal tax advice.

https://www.law.cornell.edu/cfr/text/31/10.37

[35] Internal Revenue Code section 6110(k)(3)

United States Code, reproduced by Cornell LII. Limits on precedential use of written determinations.

https://www.law.cornell.edu/uscode/text/26/6110

[36] Private Letter Ruling 202451009

IRS, September 20, 2024; released December 20, 2024. Wholly charity-owned disregarded LLC activities; nonprecedential and not a 98/2 loan-back approval.

https://www.irs.gov/pub/irs-wd/202451009.pdf

[37] Revenue Ruling 2007-13

IRS, 2007-11 I.R.B. 684. Life-insurance transfers involving grantor trusts, not cryptocurrency contribution planning.

https://www.irs.gov/pub/irs-drop/rr-07-13.pdf

[38] Internal Revenue Code section 4943

United States Code, reproduced by Cornell LII. Excess-business-holdings rules and particular exceptions; not a blanket exemption from other regimes.

https://www.law.cornell.edu/uscode/text/26/4943