

June 18, 2015

Re: *Federal Tax Status of the University of Connecticut (EIN 06-0772160), as Relating to Grants from Private Foundations*

To Whom It May Concern:

The University of Connecticut (the “University”) is an instrumentality and agency of the State of Connecticut, created by the State Constitution and the Connecticut General Statutes. Consistent with Connecticut General Statutes Sections 10a-102 et seq., the University serves a number of exclusively public purposes, the most prominent of which are education, research and public outreach.

The University is not recognized formally as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, as an instrumentality of the State of Connecticut, the University is eligible to receive charitable contributions under Internal Revenue Code Section 170(c)(1).

Under the federal tax laws, private foundations like grant-making organizations are subject to certain requirements regarding the amount of resources they must distribute for charitable purposes, and the types of organizations to which they can distribute. Because the University is a public instrumentality that serves exclusively public purposes, grants to the University generally will satisfy these requirements.

First, Section 4942 of the Internal Revenue Code requires private foundations to spend a certain minimum annual amount for charitable purposes, referred to as “qualifying distributions.” Grants to the University meet the requirements of qualifying distributions. Specifically, Section 53.4942(a)-3(a)(2)(i) of the Treasury Regulations provides that qualifying distributions include grants for charitable purposes described in Section 170(c)(1) of the Internal Revenue Code.

Second, Section 4945 of the Internal Revenue Code restricts the types of organizations to which private foundations may distribute by imposing a penalty on certain “taxable expenditures.” Of particular relevance is Section 4945(d)(4), which provides that certain grants made to “public charities” do not constitute taxable expenditures. This provision is frequently misunderstood as referring strictly to tax-exempt organizations, such as 501(c)(3) organizations, that have a ruling or letter from the IRS confirming its status as such. The Treasury Regulations do not support such an interpretation. Rather, Section 53.4945-5(a)(4) of the Treasury Regulations provides that a grantee is a “public charity” (and the grant is therefore not a taxable expenditure) if it is an organization described in Internal Revenue Code Section 170(c)(1) (discussed above) or Section 511(a)(2)(B) (referring specifically to state colleges and universities). The University qualifies as both.

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University of Connecticut

Private foundations are an active, essential part of the University's pursuit of its mission of service to students and to the State of Connecticut. We appreciate your consideration, and encourage you to contact the University's Office of the Vice President for Research, Sponsored Program Services at (860) 486-3619 if we can provide additional information or assist you further in any way.

Very truly yours,



Nicholas W. Ferron, J.D., MBA
Director of Taxation & Compliance
Office of the Controller
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