



ISSUE PAPER

Allow Foundations to Make Program- related Investments to L3Cs

Background: Created under state law, the low-profit limited liability company (L3C) is designed to facilitate the flow of philanthropic dollars to economic development activities in areas with high unemployment and underemployment rates. The L3C complies with the IRS regulations on program-related investments (PRIs). Foundations use PRIs to support charitable activities—with the potential of receiving a modest return within an established time period. PRIs are the tool of choice for partnering with businesses in economic development activities.

Rationale: Federal legislation would provide fast-track review of L3Cs by the Internal Revenue Service and allow foundations to rely on the ruling obtained by the L3C. This would greatly streamline the process for making PRIs and substantially reduce the costs foundations currently incur. Communities will benefit from increased foundation support for community economic development.

We Need Your Help: Support federal legislation that would allow foundations to make program-related investments to L3Cs.

Position: The Council on Foundations supports federal legislation that would encourage foundations to make program-related investments (PRIs) to low-profit limited liability companies (L3Cs) through an expedited review process by the IRS.

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For more information, contact the Council's Government Relations Department at 703-879-0600 or govt@cof.org.