Here for Good
Community Foundation
for Monterey County

Voluntary Termination of a Private Foundation

Section 507 of the Internal Revenue Code permits the termination of a private foundation in either trust or corporate form and the distribution of its assets to a public charity.

The Community Foundation for Monterey County (CFMC) qualifies as a public charity into which a private foundation may distribute all its assets. Such a termination not only releases the private foundation from the reporting requirements of the Internal Revenue Code, but also terminates the payment of the excise tax imposed on private foundations. The steps for a California nonprofit corporation to distribute all its assets to CFMC and terminate are as follows:

- **Approve the Dissolution**
  - Vote by the board or a majority of corporation's membership to dissolve and prepare a Certificate of Election to wind up and dissolve and/or a Certificate of Dissolution.
- **Review and Resolve Outstanding Obligations**
  - The investment income excise tax, unrelated business income taxes, private foundation penalty taxes, or 5% minimum distribution requirement.
  - Outstanding grants that are subject to expenditure responsibility (see IRS Form 990-PF).
  - Fees for accountants, lawyers, investment managers, or other service providers.
  - Filing of IRS Form 990-PF and related forms with the IRS and/or California Attorney General, FTB Form 199 or Statements of Information with the Secretary of State.
- **Satisfy Liabilities and Reserve for Final Expenses**
  - Pay all current obligations and establish a reasonable reserve for anticipated final expenses through completion of the dissolution process.
- **Identify Restricted Assets**
  - Review any donor-imposed restrictions on the foundation’s assets, including charitable purpose restrictions or endowment restrictions, to ensure they are carried forward appropriately.
- **Establish a Fund at CFMC**
  - Work with our team to prepare a fund agreement outlining the charitable purpose, fund type, and any fund advisors or successor advisors.
- **Obtain California Attorney General Waiver of Objections**
  - Submit a request to the California Attorney General for a waiver of objections to the transfer of assets and dissolution of the foundation.
- **Transfer Assets and Complete Dissolution Filings**
  - After receiving the Attorney General waiver (or court approval, if required), distribute the remaining net assets of the private foundation to the CFMC fund. File the executed Certificate of Dissolution and related documents with the California Secretary of State.
- **File Final Federal and State Returns**
  - Submit final filings with the California Attorney General and file the foundation’s final IRS Form 990-PF and any required state tax returns, noting that the return is the organization’s final return.

This information provides a general overview of dissolving a private foundation in California in accordance with guidance from the California Attorney General’s Office. Please consult your legal counsel and other professional advisors regarding the specifics of your transaction.