

NY AG's Office Submits Comments to IRS Notice 2021-56 on LLCs

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On March 10, 2022, the Office of the New York Attorney General, Charities Bureau, submitted [comments](#) in response to IRS [Notice 2021-56](#) (the "Notice"). The Notice, which was published on October 21, 2021, sets forth current standards that a limited liability company ("LLC") must satisfy to be recognized as tax-exempt under 501(c)(3) of the Internal Revenue Code (the "Code"). Please click [here](#) to read our previous blog post on the Notice.

To assist the U.S. Treasury Department and the IRS in determining whether additional guidance is needed, the Notice requested public comments on the standards, as well as on specific issues relating to tax-exempt status for LLCs. The Notice also posed questions to state charity regulators regarding the interpretation of state LLC laws and the applicability of state charity laws to LLCs formed for charitable purposes. In response, the New York Attorney General suggested that the IRS should refuse to authorize section 501(c)(3) eligibility for LLCs in states like New York that bar the formation of charitable LLCs, and asked the IRS to consider anti-abuse rules in states where charitable LLCs are permitted.

[The Texas Attorney General](#), [Non-Profit Organizations/Public Charities Division \(Charities Division\) of the Office of the Massachusetts Attorney General](#), and the [National Association of State Charity Officials](#) have also submitted comments to the IRS in response to the Notice.

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