

Internal Revenue Service

April 14, 1970 434:EO:TES

North Carolina State University
at Raleigh
P. O. Box 5067
Raleigh, North Carolina 27607

Attention: Mr. Jimmy Weathers

Gentlemen:

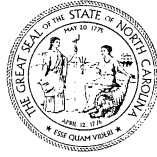
This refers to telephone conversation on April 13, 1970, regarding the status for Federal Income tax purposes of North Carolina State University at Raleigh, Raleigh, North Carolina.

According to our records North Carolina State College of Agriculture and Engineering of the University of North Carolina, was held to be one of the three units or divisions of the University of North Carolina, and as such exempt from Federal income tax under the provisions of Revenue Acts which correspond to section 501(c)(5) of the Internal Revenue Code of 1954. The letter is dated January 22, 1942.

Inasmuch as you are exempt from Federal income tax as a part of the University of North Carolina and as an organization described in section 501(c)(5) of the Internal Revenue Code of 1954, contributions made to you are deductible by donors in the manner and to the extent provided in section 170 of the Code of 1954.

Sincerely yours,

J. E. Wall
District Director



State of North Carolina

Department of Justice

P. O. Box 629

RALEIGH

27602-0629

MICHAEL F. EASLEY
ATTORNEY GENERAL

Reply to:

Andrew A. Vanore, Jr.

Administration

(919) 733-3377

April 16, 1997

OFFICE OF LEGAL AFFAIRS
North Carolina State University

APR 18 1997

Mary E. Kurz, General Counsel
North Carolina State University
Office of Legal Affairs
Box 7008
Raleigh, North Carolina 27695-7008

Dear Mary Beth:

A foundation which is associated with North Carolina State University (the University) has expressed concern that gifts made to the University may not be tax deductible because the University has never acquired from the Internal Revenue Service (IRS) designation as a 501(c)(3) organization.

Such status is not necessary since the University is an instrumentality of the state of North Carolina. Gifts made for exclusively public purposes to or for the use of government units of a state or possession of the United States, or their political subdivisions, such as the University, are deductible. See, IRC Section 170(c)(1), copy of which is enclosed for your information.

Should you require anything further, please advise.

Very truly yours,

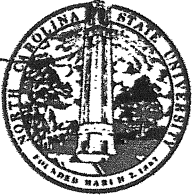
A handwritten signature in cursive script that reads "Andy".

Andrew A. Vanore, Jr.
Chief Deputy Attorney General

AAVjr/jt

Enclosure





North Carolina State University

Box 7205, Raleigh, NC 27695-7205

University Accounting Office

Office of Finance and Business

July 6, 1988

MEMORANDUM

To: Dr. Donald Howard
Associate Dean and Director,
Academic Affairs, College of
Veterinary Medicine

From: Ernie Murphrey 
University Controller

Subject: Tax Exempt Status of North Carolina State University

North Carolina State University is an agency of the State of North Carolina and, as such, derives its tax exempt status from section 115(a) of the Internal Revenue Code. In 1970, the University sought and received a ruling by the Internal Revenue Service that the University is not a private foundation as defined in section 509(a) of the Internal Revenue Code. I enclose a copy of this ruling for your information. The objectives of the University have not changed since the Internal Revenue Service ruling dated October 20, 1970.

EGM/jf

Enclosure

Internal Revenue Service

Date: August 26, 2005

NORTH CAROLINA STATE UNIVERSITY
UNIVERSITY PAYROLL OFFICE
% UNIVERSITY ACCOUNTING OFFICE
CAMPUS BOX 7233
RALEIGH NC 27695-0001

Department of the Treasury
P. O. Box 2508
Cincinnati, OH 45201

Person to Contact:
Ms. Edwards 31-07427
Customer Service Representative
Toll Free Telephone Number:
8:30 a.m. to 5:30 p.m. ET
877-829-5500
Fax Number:
513-263-3756
Federal Identification Number:
56-6000756

Dear Sir or Madam:

This is in response to your request of August 26, 2005, regarding your organization's federal tax status.

Our records indicate that your organization may be a governmental instrumentality or a political subdivision of a state.

No provision of the Internal Revenue Code imposes a tax on the income of governmental units (such as states and their political subdivisions). Therefore, it has been the position of the Service that income of governmental units is not generally subject to federal income taxation. If, however, an entity is not itself a governmental unit (or an "integral part" thereof), its income will be subject to tax unless an exclusion or exemption applies.

One exclusion is provided by section 115(1) of the Code, which excludes from gross income:
"...income derived from ... the exercise of any essential governmental function and accruing to a State or any political subdivision thereof ..."

Your organization's income may not be subject to tax, either because the organization is a governmental unit (or an "integral part" thereof), or because the income is excluded under section 115. In addition, your organization may also be eligible to receive charitable contributions, which are deductible for federal income, estate, and gift tax purposes. Also, your organization is probably exempt from many federal excise taxes.

Your organization may obtain a letter ruling on its status under section 115 by following the procedures specified in Rev. Proc. 2002-1 or its successor.

Your organization may also qualify for exemption from federal income tax as an organization described in section 501(c)(3) of the Code. If the organization is an entity separate from the state, county, or municipal government, and if it does not have powers or purposes inconsistent with exemption (such as the power to tax or to exercise enforcement of regulatory powers), your organization would qualify under section 501(c)(3). To apply for exemption, complete Form 1023 and pay the required user fee.

NORTH CAROLINA STATE UNIVERSITY
56-6000756

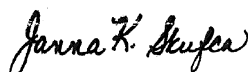
Sometimes governmental units are asked to provide proof of their status as part of a grant application. If your organization is applying for a grant from a private foundation, the foundation may be requesting certain information from your organization because of the restrictions imposed by the Code on such foundations. One such restriction imposes a tax on private foundations that make any "taxable expenditures." Under section 4945(d) and (h) of the Code, "taxable expenditures" include (1) any grant to an organization (unless excepted), unless the foundation exercises "expenditure responsibility" with respect to the grant; and (2) any expenditure for non-charitable purposes. Under section 4942 of the Code, private foundations must also distribute certain amounts for charitable purposes each year--"qualifying distributions"--or incur a tax on the undistributed amount. "Qualifying distributions" include certain amounts paid to accomplish charitable purposes.

Private foundation grants to governmental units for public or charitable purposes are not taxable expenditures under these provisions, regardless of whether the foundation exercises "expenditure responsibility." Under section 53.4945-5(a)(4)(ii) of the Foundation and Similar Excise Tax Regulations, expenditure responsibility is not required for grants for charitable purposes to governmental units (as defined in section 170(c)(1) of the code). Similarly, grants to governmental units for public purposes are "qualifying distributions", under section 53.4942(a)-3(a) of the regulations; and, if they are for charitable purposes, will not be taxable expenditures, under section 53.4945-6(a) of the regulations. Most grants to governmental units will qualify as being for charitable (as well as public) purposes.

Because of these restrictions, some private foundations require grant applicants to submit a letter from the Service determining them to be exempt under section 501(c)(3) and classified as a non-private foundation. Such a letter, or an underlying requirement that a grantee be a public charity, is not legally required to be relieved from the restrictions described above, when the prospective grantee is a governmental unit and the grant is for qualifying (public or charitable) purposes.

We believe this general information will be of assistance to your organization. This letter, however, is not a ruling and may not be relied on as such. If you have any questions, please call us at the telephone number shown in the heading of this letter.

Sincerely,



Janna K. Skufca, Director, TE/GE
Customer Account Services