

LOW-PROFIT LIMITED LIABILITY COMPANY

L3C RESOURCE PAGE

The low-profit limited liability corporation is a blend of charity and for-profit corporation. Enacted by the Vermont Legislature in May 2008, this new corporate form is intended to give socially oriented businesses greater access to capital.

- Loretta Michaels, in her [blog](#), provides an excellent introduction to L3C corporations.

"The debate around development, and especially aid versus investment, tends to assume that this world is divided into two camps, the non-profit, charitable sector with its focus on "good" causes, and the for-profit free market-driven world of business with its focus on, well, profits. Firmly supporting this bipolar division are the many rules and regulations governing what foundations, private investors, pension and endowment funds, and other pools of funds may do with their money. As a result charities are scrambling for limited funds, while there are vast pools of market-driven wealth that may be interested in socially responsible investments but are prohibited from doing so because the return on that investment is inadequate...."

"A key element of the L3C is the Program Related Investment (PRI), an IRS sanctioned investment made by foundations in for-profit business ventures to support charitable activities. While such investments are allowed to generate income and appreciation, such growth cannot be the intended outcome. So the foundation can invest funds in a charitable venture, and have those funds count as a grant for tax purposes, in areas that would not normally be acceptable for the main endowment of a foundation. The criteria for qualifying as a PRI are spelled out in Section 4944c of the tax code.... PRIs haven't been used more widely to date...because there hasn't been a clearly defined vehicle for receiving PRIs. Absent such a vehicle or uniformity of process, foundations that wanted to make a PRI have had to seek IRS guidance in the form of Private Letter Rulings, which can take months or years to attain and cost thousands of dollars...."

- Community Wealth Ventures, Inc. has written a [summary of L3C structures](#) and the activities they encourage. It also provides an extensive bibliography of resources and their web URL addresses.
- Tom Moody of Downs Rachlin martin PLLC in Burlington, Vermont has written a [short legal description of L3C corporations](#) with particular emphasis on the advantages this structure provides for private foundation investment. He also provides a brief illustration of various strategies in which an L3C structure could be used.
- California attorney Gene Takagi has also put together useful information on L3C corporations on his [Nonprofit Law Blog](#).