



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P O Box 2508
Cincinnati, OH 45201

Date:
12/27/2024
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202512004
Release Date: 3/21/25

LEGEND

B = Foundation
C = State
D = Funds
x dollars = Donation

UIL: 509.02-01

Dear :

We have considered your October 21, 2024, request for recognition of an unusual grant under Treasury Regulation Section 1.170A-9(f)(6)(ii) and related provisions.

Based on the information provided, we concluded that the proposed grant constitutes an unusual grant under Treas. Reg. Section 1.170A-9(f)(6)(ii) and related provisions of the regulations. The basis for our conclusion is discussed below.

Facts:

You are a community foundation that serves thousands of people by accepting donations to build endowments for the benefits of communities in western C state. Your fund and service offerings include D, which are your component funds, designated to support your specific charitable causes. The donation will be used to create one or more such funds for the benefits of community in southwestern C through agreements between you and the donor for the benefits of communities in southwestern and C.

The amount you received with the proposed donation is many times larger than the annual average of your donations. Accordingly, the donation is highly unusual and unexpected with respect to the amount. The donation will be used to support specific capital projects and capacity-building initiatives for local nonprofits in southwestern C, consistent with your charitable purposes.

B donates x dollars to you and will be made in full prior to the end of this year. The purpose of the donation is to create funds, which will make investments and grants that benefit major cities in southwestern C and surrounding municipalities by improving the availability and affordability of quality housing options, and make charitable grants for purposes of (i) providing assistance to children and families in crisis or in need, (ii) support education or training, including through grants to schools, teachers, researchers, and students, and/or (iii) promoting social welfare of such communities and their citizens.

B provided financial support to you in the past, so they are familiar with your exempt purpose and activity in southwestern C. However, the amounts given in the past were not substantial in nature in relation to your other sources of support as you actively solicit and attract public support from other sources. The proposed donation from B is over 100 times the amount it would normally receive and is committed for a different and specific purpose from past donations, as the purpose of this donation is noted above. B's relationship to you is not described under IRC Section 4946.

Law:

Two sections of the Treasury Regulations set forth the criteria for an unusual grant. They are:

Treasury Regulation Section 1.170A-9(f)(6)(ii)

This section states that, for purposes of applying the 2% limitation to determine whether the 33 1/3% of-support test is satisfied or the 10 % support limitation is met, one or more contributions may be excluded from both the numerator and the denominator of the applicable percent-of-support fraction. The exclusion is generally intended to apply to substantial contributions or bequests from disinterested parties which:

- are attracted by reason of the publicly supported nature of the organization;
- are unusual or unexpected with respect to the amount thereof; and
- would, by reason of their size, adversely affect the status of the organization as normally being publicly supported.

Treasury Regulation Section 1.509(a)-3(c)(4)

This section states that all pertinent facts and circumstances will be taken into consideration to determine whether a particular contribution may be excluded. No single factor will necessarily be determinative. Such factors may include:

- Whether the contribution was made by a person who;
 - a. created the organization;
 - b. previously contributed a substantial part of its support or endowment;
 - c. stood in a position of authority with respect to the organization, such as a foundation manager within the meaning of Internal Revenue Code (IRC) Section 4946(b);
 - d. directly or indirectly exercised control over the organization, or;
 - e. was in a relationship described in IRC Section 4946(a)(1)(C) through 4946(a)(1) (G) with someone listed in bullets a, b, c, or d above.

A contribution made by a person described in bullets a through e is ordinarily given less favorable consideration than a contribution made by others not described above.

- Whether the contribution was a bequest or an inter vivos transfer. A bequest will ordinarily be given more favorable consideration than an inter vivos transfer.
- Whether the contribution was in the form of cash, readily marketable securities, or assets which further the exempt purposes of the organization, such as a gift of a painting to a museum.
- Whether (except in the case of a new organization) prior to the receipt of the particular contribution, the organization (a) has carried on an actual program of public solicitation and exempt activities and (b) has been able to attract a significant amount of public support.
- Whether the organization may reasonably be expected to attract a significant amount of public support after the particular contribution. Continued reliance on unusual grants to fund an organization's current operating expenses (as opposed to providing new endowment funds) may be evidence that the organization cannot reasonably be expected to attract future public support.
- Whether, prior to the year in which the particular contribution was received, the organization met the one-third support test described in Treas. Reg. Section 1.509(a)-3(a)(2) without the benefit of any

exclusions of unusual grants pursuant to Treas. Reg. Section 1.509-3(c)(3);

- Whether the organization has a representative governing body as described in in Treas. Reg. Section 1.509(a)-3(d)(3)(i); and
- Whether material restrictions or conditions within the meaning of Treas. Reg. Section 1.507-2(a)(7) have been imposed by the transferor upon the transferee in connection with such transfer.

Application of Law:

Revenue Ruling 76-440 states a large inter vivos gift of undeveloped land from a disinterested donor to a Code section 501(c)(3) organization, conditioned on the land's being used in perpetuity to further the exempt organization's purposes of preserving natural resources, is an unusual grant and will not adversely affect the organization's status as a publicly supported organization under section 170(b)(1)(A)(vi).

The gift in this case meets the general criteria of section 1.170A-9(e)(6)(ii) of the regulations. It also satisfies the facts and circumstances test under section 1.170-9(e)(6)(iii), although not all the factors listed in section 1.509(a)-3(c)(4) are present.

Of particular importance in this case are the facts that: (1) the donor's relationship to you is not described under IRC Section 4946; (2) your operating expenses are paid for primarily through public support; (3) you reasonably expect to attract a significant amount of public support subsequent to this contribution; and (4) prior to this contribution, you met the one-third public support test without any unusual grant exclusions.

Accordingly, considering all the pertinent facts and circumstances, the contribution in this case qualifies as an unusual grant for purposes of determining whether the organization qualifies as a section 170(b)(1)(A)(vi) organization.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Redacted Letter 4787
Letter 437