



**Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities**

Date:
07/03/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202539017
Release Date: 9/26/2025

LEGEND

B = Organization

C = Date

x dollars = dollar amount

y dollars = dollar amount

UIL: 509.02-01

Dear :

We have considered your 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 tax exempt under Internal Revenue Code (IRC) Section 501(c)(3). You are currently classified as a public charity described in IRC Sections 509(a)(1) and 170(b)(1)(A)(vi).

You operate as an educational center that offers equine therapy and other related programming to the public. You also conduct a robust fundraising program that includes solicitation of grants, fundraising events, and individual donors. Your website informs the public of your activities and notifies them of your volunteer and donation opportunities as well. You hold elections to fill your eleven-member board with a diverse group of professionals who possess knowledge, skills, and personal expertise relevant to your exempt purposes and activities.

You are supported by B, a Type I supporting organization exempt under IRC Section 509(a)(3). B was formed to hold, receive, administer, manage, and dispose of monies and property in support of, and to further your, exempt purposes. B holds real property directly used in your operations and activities, along with an endowment consisting of readily marketable securities and cash.

You plan to merge with your supporting organization, B, on C; you will be the surviving entity. You anticipate several benefits from this merger. First, the assets held by B will be more efficiently used by you directly, requiring less administrative time and costs. Second, the anticipated merger will allow you to develop stronger

and more direct ties to the public that donates directly to you and participates in your programs. As part of the merger, B will transfer its held assets to you.

The amount of the transfer, which will constitute all of B's assets, is approximately x dollars, and is largely comprised of real property used directly by you. You anticipate you will receive these assets when the merger becomes effective on C. After the transfer of assets, you will continue to use the real property the same way you did before the merger. The non-real property investments and funds transferred to you will be used to support your general operations. You intend to operate a board-designed endowment.

You have never received a contribution of this size or value. The majority of the contributions and donations you have received have been less than y dollars. This transfer of assets is also unusual because it will result from a one-time restructuring to merge B into you.

Therefore, you are seeking a determination that the transfer of assets from B to you, resulting from your anticipated merger by operation of law, constitutes an unusual grant under Treas. Reg. Section 1.170a-9(f)(6)(ii) and Treas. Reg. Section 1.509(a)-3(c)(3). Prior to this anticipated contribution, you have been able to meet the public support test without the benefit of any exclusions of unusual grants.

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 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 normally publicly supported organization exempt under IRC Section 501(c)(3), conditioned on the land's being used in perpetuity to further the exempt organization's purposes of preserving natural resources, constitutes an unusual grant and, therefore, did not adversely affect the organization's status as a publicly supported organization under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi).

Although the transfer of assets from B to you is not an inter vivos gift as described above, you similarly anticipate receipt of a large contribution in the form of a transfer of assets from N to be used to further your exempt purposes. Therefore, based upon the facts and circumstances of this case, we find the contribution meets the general requirements of Treas. Reg. Section 1.170A-9(f)(6)(ii). Specifically, the transfer of assets is unusually large compared to your typical public support and would, by reason of its size, adversely affect your organization as normally being publicly supported.

Further, we find the contribution satisfies the facts and circumstances test of Treas. Reg. Section 1.170A-9(f)(6)(iii), although not all the factors listed in Treas. Reg. Section 1.509(a)-3(c)(4) are present. General factors which we find are satisfied under these regulations include:

- a) The transfer of assets is in the form of cash, readily marketable securities, and other assets which will further your exempt purposes and be used to fund your programs in the future.
- b) You carry on a program to solicit funds to support your activities and reasonably expect to attract public support after this transfer.
- c) As a supporting organization which formed for your benefit, B is not your creator and has not previously contributed a substantial part of its own funds or its own endowment to you. B has also not stood in a position of authority over you, such as a foundation manager, within the meaning of IRC Section 4946(b).
- d) You have met the public support test in past years without the benefit of any exclusions of unusual grants pursuant to Treas. Reg. Section 1.509-3(c)(3).

- e) You have a representative governing body voted upon in a manner congruent with exemption under IRC Section 501(c)(3) per Treas. Reg. Section 1.509(a)-3(d)(3)(i).
- f) No material restrictions or conditions within the meaning of Treas. Reg. Section 1.507-2(a)(7) have been imposed by B in connection with the anticipated transfer of assets.

Accordingly, given all the pertinent facts and circumstances, the anticipated transfer of assets from B to you will qualify as unusual for purposes of exclusion from the numerator and denominator of the public support test under IRC Sections 509(a)(1) and 170(b)(1)(A)(vi) in the tax year in which you receive it.

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