

Internal Revenue Service
P. O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Date: March 10, 2020

Employer Identification Number:

Number: **202023012**
Release Date: 6/05/2020

Person to Contact - ID#:

Contact Telephone Numbers:

LEGEND:

B = State
C = Year
D = Organization
E = Specialty field
x = Amount

UIL:

509.00-00
509.02-00
509.02-01

Dear :

We have considered your September 26, 2018 request for recognition of an unusual grant under Treasury Regulations Section 1.170A-9(f)(6)(ii) and related provisions.

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

Facts:

You were formed in the State of B in C. You are classified as a public charity under Section 509(a)(2). You were formed to conduct educational activities and medical research activities. You will actively engage in fundraising activities annually to meet the public support test. You anticipate receiving funding from tuition, grants and investment income. You project revenues to pass the public support test. Your governing body includes community leaders and established medical professionals who have special knowledge of E.

You are asking for advance approval of an unusual grant in the amount of x dollars. The grant would be in the form of cash and other liquid assets. The grant will be the liquidating distribution of D. The grant will be made in connection with a planned dissolution of D.

The grant is unusual because the proposed liquidating distribution is a one-time, non-recurring, event and the proposed liquidating distribution would, due to its size adversely affect your ability to meet the public support test set forth under Section 509(a)(2).

Law:

Treasury Regulation Sections 1.170A-9(f)(6)(ii) and 1.509(a)-3(c)(4) set forth the criteria for an unusual grant.

Treasury Regulation Section 1.170A-9(f)(6)(ii) states that, for purposes of applying the 2-percent limitation to determine whether the 33 1/3 percent-of-support test is satisfied, 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) 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 Section 4946(b)
 - d. directly or indirectly exercised control over the organization, or
 - e. was in a relationship described in Internal Revenue Code 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 a. - 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 Section 1.509(a)-3(a)(2) without the benefit of any exclusions of unusual grants pursuant to Section 1.509-3(c)(3);
- Whether the organization has a representative governing body as described in Treasury Regulation Section 1.509(a)-3(d)(3)(i); and
- Whether material restrictions or conditions within the meaning of Treasury Regulation Section 1.507-2(a)(7) have been imposed by the transferor upon the transferee in connection with such transfer.

Application of Law:

The grant meets the requirements of Treasury Regulation Section 1.170A-9(f)(6)(ii). The size and method of contribution is unusual compared to your projected level of support. The grant will adversely affect your status as normally being publicly supported.

The grant meets the requirements of Treasury Regulation Section 1.509(a)-3(c)(4) based on the following facts and circumstances:

- The grantor does not stand in a position of authority with respect to your and does not exercise control over your as the grantor will no longer be in existence
- There have been no prior contributions from D
- The transfer from D is a liquidating distribution from D and is a one-time occurrence
- You will carry on an actual program of public solicitation, have exempt activities, and projected a significant amount of public support
- The transfer of assets consists of cash and other liquid assets
- You have a large representative governing body.

In addition, no material restrictions or conditions within the meaning of Treasury Regulation Section 1.507-2(a)(7) have been imposed by the transferor upon the transferee in connection with such transfer.

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

If you have any questions, please contact the person listed in the heading of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements