

INTERNAL REVENUE SERVICE

November 27, 2000

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November 27, 2000

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Attn: +++++

Dear +++++:

This letter is in response to your inquiry dated +++++, 2000, concerning whether funding for set-asides for a club recognized as tax-exempt under section 501(c)(7) of the Internal Revenue Code (Code) may be satisfied with a contribution of stock with a fair market value equal to the amount of the set-aside.

Set-aside income is income set-aside for religious, charitable, scientific, literary, educational purposes or for the prevention of cruelty to children or animals (the purposes specified in section 170(c)(4) of the Code), or the reasonable cost of administration of these activities by a club. Such income is exempt function income and is not subject to the unrelated business income tax under section 512(a)(3). The general rule is that set-aside income may be temporarily invested or accumulated (as long as the amount and duration are not unreasonable), provided that it is earmarked and placed in a separate account.

Your question is very factual and the response could vary depending upon the specific circumstances. In this situation, the questions are based upon specific facts, and there is little information concerning why stock is being contributed to the tax-exempt organization. Furthermore, it would not appear that stock would be income for determining gross income of an exempt organization. A ruling could be requested by a club on a specific set of facts. Such requests for rulings should be submitted to the Service following the procedures outlined in Rev. Proc. 2000-4, Bulletin No. 2001, page 115, and Rev. Proc. 2000-8, Bulletin No. 2001, page 230.

Hopefully the above information will assist you. If you have any questions about this letter, please contact ++++++ at ++++++ or ++++++ at ++++++. I appreciate your interest in this matter.

Sincerely,

Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4