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

Date:
06/05/2026
Employer ID number:

Person to contact:

Release Number: 202635021
Release Date: 8/28/26

LEGEND
B = Date
C = Building
D = Foundation
E = Date
F = Date
G = Credits
H = Year
J = Year Range
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 received Internal Revenue Code (IRC) Section 501(c)(3) exemption effective B, as a public charity with the mission to engage in historical preservation and fostering community activities with respect to the C. Since you are a Section 501(c)(3) corporation and a have a public charity status, you were eligible to apply for the D grant in E. The grant required you to demonstrate your plans to renovate the historic building in line with your charitable purpose. The D grant recipient will be selected within 90 days of the application submitted. You may receive an award of up to x dollars in F, if selected.

The D grant will be restricted to your capital improvement project and will not be used for operating expenses which will still be funded through public support. Phase one of the project is to build an event space and to house a free library and museum. With funding from the D grant, you will be able to apply for G for 30 percent of eligible dollars spent on the phase one renovations. Renovations are necessary for you to start conducting your charitable and educational activities. The G can then be sold to fund the next phase of renovations. You will also be applying for other grants as well to help support phase one renovations which you estimate will continue until H.

For tax years J, you project y dollars or less in total annual contributions, apart from the D grant and the contribution of the building itself. Apart from the D grant, you intend to keep pursuing other private, public, and government funding opportunities in the current year and subsequent years. You engage in grassroots fundraising in your local community to support your activities. You have an ongoing public donation campaign, pursuant to which members of the community may donate to the C project, in exchange for name recognition on tiles used in the construction and renovation of the building. Through your grassroots fundraising, you educate the public on your historic preservation project for the C.

The D grant is 25 times larger than your projected annual monetary support. Accordingly, the D grant is highly unusual and unexpected in amount. The D grant will cause you to fail the public support test for public charity status and is expected to adversely affect your status as a publicly supported organization. With the exclusion of the D grant, you anticipate being able to satisfy the public support test for public charity status from your formation and into the future.

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:

Based on the information provided, the proposed grant meets the requirements of Treas. Reg. Section 1.170A-9(f)(6)(ii) because the grant is from a disinterested party, which:

- was attracted by reason of your publicly supported nature;
- was unusual or unexpected with respect to the amount thereof; and
- by reason of its size, will adversely affect your status as normally being publicly supported.

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

- The grant is not being made by a person who created you.
- The grant was applied for with no certainty of who the recipient would be.
- D has not previously contributed a substantial part or endowment to you and has not stood in a position of authority such as a foundation manager within the meaning of IRC Section 4946(b).
- D does not directly or indirectly exercise control over you, nor has it been in a relationship described in IRC Section 4946(a)(1)(C) through 4946(a)(1)(G).
- The transfer of assets will further your exempt purpose and be used to fund your programs in the future.
- You carry on a program to solicit funds to support your activities and reasonably expect to attract public support after this grant.
- No material restrictions or conditions (within the meaning of Treas. Reg. Section 1.507-2(a)(7)) have been imposed by D in connection with the donation.

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:
Letter 4787
Letter 437