

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

, ID No.

Telephone Number:

Refer Reply To:

CC:EEE:EOET:EO3

PLR-108365-25

Date:

July 14, 2025

Legend

Taxpayer =
Decedent =
Company =
Hotel =

Broker =
Date 1 =
Date 2 =
Date 3 =
Date 4 =
Date 5 =
X =
State 1 =
State 2 =

Dear :

This letter responds to a letter from your authorized representative, dated April 8, 2025, and subsequent documentation dated June 4, 2025, requesting an additional five years to dispose of certain excess business holdings under section 4943(c)(7) of the Internal Revenue Code (Code)¹. Taxpayer represents the facts as follows.

FACTS

On Date 1, Taxpayer was established pursuant to a trust agreement in State 1. Taxpayer is exempt from federal income tax under section 501(a) as an organization

¹ Section references are to the Internal Revenue Code of 1986, as amended, unless otherwise indicated.

described in section 501(c)(3) and is classified as a private foundation under section 509.

Decedent died on Date 2. Decedent left a last will and testament dated Date 3. Pursuant to Decedent's will, the stock Decedent held in Company passed to Taxpayer. At the time of Decedent's death, Decedent owned an X percent interest in Company. Decedent's estate distributed Decedent's interest in Company to Taxpayer on Date 4. Taxpayer acknowledges that the interest constitutes excess business holdings under section 4943(c)(1), and it states that the section 4943(c)(6) initial five-year period for disposing of those excess business holdings expires on Date 5.

Company is a State 2 corporation. Company owns Hotel. Hotel is a large and complex business holding requiring specialized expertise to market and sell. Taxpayer's interest in Company constitutes an unusually large gift or bequest of diverse business holdings or holdings with complex corporate structures within the meaning of section 4943(c)(7).

Taxpayer made diligent efforts to dispose of its interest in Company throughout the section 4943(c)(6) initial five-year period by attempting to sell Hotel and dissolve Company. During the initial five-year period and at the direction of Taxpayer, Company actively marketed Hotel by working with multiple real estate brokers and engaging in advanced discussions with numerous potential buyers. Despite those efforts, various factors prevented finalizing a sale of Hotel, including unfavorable conditions in the local real estate market and rising interest rates impacting the availability of financing.

Prior to the end of the initial five-year period under section 4943(c)(6), Taxpayer submitted a request to the Internal Revenue Service for an extension of five years to dispose of its excess business holdings pursuant to section 4943(c)(7). Taxpayer also submitted its plan of disposition to the attorney general of State 1. The plan involves selling Hotel pursuant to an ongoing listing agreement with Broker and dissolving Company.

RULING REQUEST

Taxpayer requests a ruling granting it an additional five-year period to dispose of its excess business holdings in Company under section 4943(c)(7).

LAW

Section 4943(a)(1) imposes a tax on the excess business holdings of a private foundation.

Section 4943(c)(1) provides that the term "excess business holdings" means the amount of stock or other interest in a business enterprise that the foundation would have to dispose of to a person other than a disqualified person for the foundation's remaining holdings in such enterprise to be permitted holdings.

Section 4943(c)(2)(A) provides that the permitted holdings of a private foundation in an incorporated business enterprise are 20 percent of the voting stock, reduced by the percentage of voting stock in the enterprise owned by all the foundation's disqualified persons.

Section 4943(c)(6) generally provides that if there is a change in a private foundation's holdings in a business enterprise (other than by purchase by the private foundation or by a disqualified person) that causes the private foundation to have excess business holdings in such enterprise, the interest of the foundation in such enterprise (immediately after such change) will (while held by the foundation) be treated as held by a disqualified person (rather than by the foundation) during the five-year period beginning on the date of such change.

Section 4943(c)(7) provides that the Secretary may extend the section 4943(c)(6) period to dispose of excess business holdings for an additional five years in the case of an unusually large gift or bequest of diverse business holdings or holdings with complex corporate structures if—

(A) The foundation establishes that—

- (i) Diligent efforts to dispose of such holdings have been made within the initial five-year period, and
- (ii) Disposition within the initial five-year period has not been possible (except at a price substantially below fair market value) by reason of the size and complexity or diversity of such holdings,

(B) Before the close of the initial five-year period—

- (i) The private foundation submits to the Secretary a plan for disposing of all the excess business holdings involved in the extension, and
- (ii) The private foundation submits the plan to the attorney general (or other appropriate state official) having administrative or supervisory authority or responsibility with respect to the foundation's disposition of the excess business holdings involved and submits to the Secretary any response received by the private foundation during the five-year period, and

(C) The Secretary determines that such plan can reasonably be expected to be carried out before the close of the extension period.

Treas. Reg. § 53.4943-6(b)(1) generally provides that in the case of an acquisition of holdings in a business enterprise by a private foundation pursuant to the terms of a will or trust, the five-year period described in section 4943(c)(6) does not commence until the date on which the distribution of such holdings from the estate or trust to the foundation occurs.

ANALYSIS

Taxpayer received its interest in Company from Decedent's estate. Taxpayer's ownership of Company constitutes excess business holdings under section 4943(c)(1), and neither Taxpayer nor disqualified persons with respect to Taxpayer purchased the interest. As a result, section 4943(c)(6) provides Taxpayer with an initial five-year period to dispose of its excess business holdings. That period ends on Date 5.

Company owns Hotel. Taxpayer represents that Hotel is a large and complex business holding requiring specialized expertise to market and sell. Taxpayer further represents that its interest in Company constitutes an unusually large gift or bequest of diverse business holdings or holdings with complex corporate structures within the meaning of section 4943(c)(7).

Taxpayer made diligent efforts to dispose of its excess business holdings in Company, as required by section 4943(c)(7)(A)(i). During the initial five-year period and at the direction of Taxpayer, Company actively marketed Hotel by working with multiple real estate brokers and engaging in advanced discussions with numerous potential buyers. Despite those efforts, various factors prevented finalizing a sale. Because disposition of Taxpayer's excess business holdings in Company was not possible within the initial five-year period (except at a price substantially below fair market value) by reason of the size and complexity or diversity of such holdings, Taxpayer meets the requirements of section 4943(c)(7)(A)(ii).

Before the close of the initial five-year period, Taxpayer submitted a request to the Internal Revenue Service under section 4943(c)(7), seeking an additional five-year period within which to dispose of its excess business holdings in Company. Taxpayer also timely submitted its plan to the State 1 attorney general.

RULING

Based on the facts and representations Taxpayer submitted, we have determined that Taxpayer's plan to dispose of its excess business holdings in Company can reasonably be expected to be carried out before the close of the extension period. Accordingly, we conclude that Taxpayer satisfies the requirements under section 4943(c)(7) for an additional five years to dispose of its excess business holdings. We also conclude that Taxpayer's excess business holdings in Company will not be subject to tax under section 4943(a)(1) if Taxpayer disposes of them before the close of the extension period.

The ruling contained in this letter is based on information and representations submitted by or on behalf of Taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party, and on the understanding that there will be no material changes in the facts described above. While this office has not verified any of the material submitted in support of the request for a ruling, the material is subject to

verification upon examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been a misstatement or omission of controlling facts; the facts at the time of the transaction are materially different from the controlling facts on which the ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2025-1, section 11.05.

This letter does not address the applicability of any section of the Code or Treasury Regulations to the facts submitted other than with respect to the sections specifically described, and, except as expressly provided in this letter, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item of income discussed or referenced in this letter.

This ruling is directed only to Taxpayer. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to Taxpayer's authorized representative.

A copy of this letter must be attached to any federal return to which it is relevant. Alternatively, if Taxpayer files its returns electronically, Taxpayer may satisfy this requirement by attaching a statement to its return that provides the date and control number of this letter.

Sincerely,

Kenneth M. Griffin
Branch Chief
(Employee Benefits, Exempt Organizations,
and Employment Taxes)

cc: