

Other Exceptions to the Excess Business Holdings Rules

- The threshold of permitted ownership increases from 20 percent to 35 percent if a foundation can establish to the satisfaction of the IRS that the business enterprise is controlled by persons who are not “disqualified persons.”
- If a foundation’s holdings are 2 percent or less of a business enterprise, then the aggregate holdings of the foundation and “disqualified persons” may exceed 20 percent.
- If a business enterprise receives at least 95 percent of its income from passive sources (such as interest and dividends earned on investments), then the foundation and “disqualified persons” may own any percentage, even 100 percent, of the business.