

- (d) For the purchase of assets which the foundation uses as part of its program of charitable activities.

"Income" would include short-term capital gains.

Current operating expenses would be treated as current expenditures for charitable purposes. Otherwise, net ordinary income is defined as total income (less capital gains), less expenses incurred in earning such income.

The income would have to be expended within one year after the year of receipt. This would be subject to two exceptions - (1) Funds could be accumulated for a definite charitable purpose, and (2) Funds could be accumulated to make up for past expenditures in excess of income.

INCOME EQUIVALENT

Because foundation ownership of growth assets or unproductive property may result in little "income" within the scope of this rule, the Secretary of the Treasury should have regulatory authority to set a percentage rate called an "income equivalent", which will be charged on a foundation's assets and which would become a floor for distributable income under this rule. This would be figured at the fair market value of the foundation's investment assets.

III. A foundation should not own over 20 percent of the voting stock or equity of a corporation engaged in an unrelated business.

Stock held "for the benefit of" a foundation should be attributed to it but that owned by officers, donors, etc., for their own benefit should not. =

IV. Because a gift to a foundation of stock in a family business lacks a true element of finality, it would not be counted as a deductible contribution until: (a) The stock was sold by the foundation.