market value shall be determined pursuant to the provisions of §53.4942(a)–2 (c)(4).


§ 53.4942(a)–1 Taxes for failure to distribute income.

(a) Imposition of tax.—(1) Initial tax. Except as provided in paragraph (b) of this section, section 4942(a) imposes an excise tax of 15 percent on the undistributed income (as defined in paragraph (a) of §53.4942(a)–2) of a private foundation for any taxable year which has not been distributed before the first day of the second (or any succeeding) taxable year following such taxable year (if such first day falls within the taxable period as defined in paragraph (c)(1) of this section). For purposes of section 4942 and this section, the term distributed means distributed as qualifying distributions under section 4942(g). See paragraph (d)(2) of §53.4942(a)–3 with respect to correction of deficient distributions for prior taxable years.

(2) Additional tax. In any case in which an initial excise tax is imposed by section 4942(a) on the undistributed income of a private foundation for any taxable year, section 4942(b) imposes an additional excise tax on any portion of such income remaining undistributed at the close of the correction period (as defined in paragraph (c)(1) of this section). The tax imposed by section 4942(b) is equal to 100 percent of the amount remaining undistributed at the close of the taxable period.

(3) Payment of tax. Payment of the excise taxes imposed by section 4942(a) or (b) is in addition to, and not in lieu of, making the distribution of such undistributed income as required by section 4942. See section 507(a)(2) and the regulations thereunder.

(4) Examples. The provisions of this section may be illustrated by the following examples:

Example 1. M, a private foundation which uses the calendar year as its taxable year, has at the end of 1981, $50,000 of undistributed income (as defined in paragraph (a) of §53.4942(a)–2) for 1981. As of January 1, 1983,