

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: 202011012
Release Date: 3/13/2020

Employer Identification Number:

Contact Person - ID Number:

Date: December 18, 2019

Contact Telephone Number:

LEGEND:

B = state
C = building
D = organization
E = project
F = center
G = university
H = organization
J = business
m dollars = amount
n dollars = amount
p dollars = amount
q dollars = amount
S = year
V = date

UIL:
4942.03-07

Dear :

Why you are receiving this letter

This is our response to your letter received December 31, 2018 requesting approval of a set-aside under Internal Revenue Code Section 4942(g)(2). You've been recognized as tax-exempt under Section 501(c)(3) of the Code and have been determined to be a private foundation under Section 509(a).

Our determination

Based on the information furnished, your set-aside program is approved under Internal Revenue Code Section 4942(g)(2). As required under Section 4942(g)(2), the set aside amount must be paid within the 60-month period after the date of the first set-aside.

Description of set-aside request

You were formed under the laws of B around S and are recognized as an organization described in Internal Review Code Section 501(c)(3) and as a private foundation within the meaning of IRC Section 509(a).

You provide education in _____ to the citizens of B and _____ research. You host many local groups and provide various public programs. In the area of scientific research, you have worked with D and other institutions and are presently the headquarters of the E, F in partnership with G and a member of H.

To keep current in research you have embarked on a project to upgrade your facility with a new _____ and specially designed _____ to house the _____ at the C. The _____ will be fabricated by J and take approximately _____ years to complete.

The cost will be approximately m dollars. You anticipate providing n dollars in funding with the additional p dollars to be raised from the outside sources.

To start the funding process, you will place q dollars in a set aside ("hold back") account by V. This will enable you to secure the price with J and show other organizations that may provide funding that you are going forward with the project.

J estimates the fabrication of the _____ will take approximately _____ years from the initial down payment. An additional year will be required for the on-site work of constructing the building and erecting the _____.

Basis for our determination

Internal Revenue Code Section 4942(g)(2)(A) states that an amount set aside for a specific project, which includes one or more purposes described in Section 170(c)(2)(B), may be treated as a qualifying distribution if it meets the requirements of Section 4942(g)(2)(B).

Section 4942(g)(2)(B) of the Code states that an amount set aside for a specific project will meet the requirements of this subparagraph if, at the time of the set-aside, the foundation establishes that the amount will be paid within five years and either clause (i) or (ii) are satisfied.

Section 4942(g)(2)(B)(i) of the Code is satisfied if, at the time of the set-aside, the private foundation establishes that the project can better be accomplished using the set-aside than by making an immediate payment.

Section 53.4942(a)-3(b)(1) of the Foundations and Similar Excise Taxes Regulations provides that a private foundation may establish a project as better accomplished by a set-aside than by immediate payment if the set-aside satisfies the suitability test described in Section 53.4942(a)-3(b)(2).

Section 53.4942(a)-3(b)(2) of the Foundations and Similar Excise Taxes Regulations provides that specific projects better accomplished using a set-aside include, but are not limited to, projects where relatively long-term expenditures must be made requiring more than one year's income to assure their continuity.

In Revenue Ruling 74-450, 1974-2 C.B. 388, an operating foundation converted a portion of newly acquired land into a public park under a four-year construction contract. The construction contract payments were to be made mainly during the final two years. This constituted a "specific project." The foundation's set-aside of all its excess earnings for four years was treated as a qualifying distribution under

Internal Revenue Code Section 4942(g)(2).

What you must do

Your approved set-aside(s) will be documented on your records as pledges or obligations to be paid by the date specified. The amounts set aside will be taken into account to determine your minimum investment return under Internal Revenue Code Section 4942(e)(1)(A), and the income attributable to your set aside(s) will also be taken into account in computing your adjusted net income under Section 4942(f) of the Code.

Additional information

This determination is directed only to the organization that requested it. Internal Revenue Code Section 6110(k)(3) provides that it may not be used or cited as a precedent.

Please keep a copy of this letter in your records. We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person listed in the heading of this letter.

Sincerely,

Steven A. Martin
Director, Exempt Organizations
Rulings and Agreements