



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
03/06/2025
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Release Number: 202523018
Release Date: 6/6/2025

LEGEND

B = State
C = Organization
D = Facility
F = Date
G = Date
x dollars = Amount
y dollars = Amount

UIL: 4942.03-07

Dear :

Why you are receiving this letter

We received your December 6, 2023 request for approval of a set-aside under Internal Revenue Code (IRC) Section 4942(g)(2). Based on the information furnished, your request is approved. You are recognized as tax-exempt under IRC Section 501(c)(3) and as a private foundation under IRC Section 509(a).

What you need to do

Document your approved set-aside(s) in your records as pledges or obligations. You must pay the set-aside amounts within 60 months after the date of the first set-aside, as required under IRC Section 4942(g)(2). Take into account the amounts set aside when determining your minimum investment return under IRC Section 4942(e)(1)(A) and the income attributable to your set-asides when computing your adjusted net income under IRC Section 4942(f).

Description of set-aside request

You were formed under the state laws of B. You wish to set aside a grant totaling x dollars to C, a public charity exempt under IRC Section 501(c)(3). C is a charitable corporation that maintains a historic building known as D, which is listed on the National Register of Historic Places and is now the site of a residency program for

C has proposed a project to repair and restore the masonry and exterior of the a laboratory, historic residence, greenhouse, and water tower pump house at D and to restore the interior and make heating, ventilation, and air conditioning and electrical improvements to a laboratory at D.

The total cost of the project is estimated to be y dollars. The ultimate goal of the project is to return D to its

historic appearance and to once again serve as a vibrant residency site for

Your grant is the subject of a grant agreement between you and C, dated effective as of F. Pursuant to the terms of the agreement, you will make a matching grant of x dollars to C to fund approximately one-third of the estimated cost of the project if certain conditions described in the agreement are satisfied. It is anticipated that the remaining two-thirds of the cost of the project will be funded by donations and grants made to C, as a result of fundraising activities undertaken by C in response to your matching grant challenge.

Under the terms of the agreement, if C raises the matching funds and satisfies other conditions of the agreement, you will disperse the funds to C in a lump sum within 21 business days after satisfaction of these conditions. Upon receipt of the funds from you, C will deposit the funds in a separate interest-bearing account. Subject to the satisfaction of all the conditions of the agreement, C may make disbursements from the account to pay reimbursable costs of the project, provided that, unless otherwise agreed upon by you, disbursements from the account are limited to one-third of the total reimbursable costs incurred in connection with the project to the date of the disbursement.

The agreement further specifies that C must use your grant solely for reimbursable costs incurred in connection with the project and for no other purpose. Reimbursable costs are defined as costs actually incurred by C for labor, materials, fees and permits for the project. Reimbursable costs shall not include costs of publicity, planning, fundraising, legal or accounting services, financing, staff salaries, and other “soft costs” not directly incurred to procure labor, materials, or services for the project.

You state that the purpose of the grant requires the use of a matching grant program and the preservation of control over the long-term project, both of which can be better accomplished by the use of a set-aside. With regard to the matching grant program, you believe the program is necessary to stimulate grants to C from the community at large. You believe that, due to the extent and cost of the rehabilitation needed for D, grants from the community at large will form an essential and significant part of the project funding. You hope to encourage other donors to support the project through the matching grant program. The approximate three-year period provided in the agreement to raise the necessary matching funds has been mutually agreed upon between you and C, allowing sufficient time for C to complete its anticipated capital campaign for the project.

You believe it is crucial that you retain a degree of control over the renovation process because of your concern with the preservation of the historical features of D. By making the disbursements of the funds dependent upon approval of outside consultants and contractors and of drawings, plans, and specifications of the project, you believe you can best meet the goal of restoring D and assure that the final restoration project is consistent in scope and concept with the project originally submitted to you by C.

Per the agreement, payment of the grant must be made no later than G which is less than 60 months from the date of the set-aside.

Basis for our determination

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

IRC Section 4942(g)(2)(B) 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.

IRC Section 4942(g)(2)(B)(i) 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.

Treasury Regulation (Treas. Reg.) Section 53.4942(a)-3(b)(1) 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 Treas. Reg. Section 53.4942(a)-3(b)(2).

Treas. Reg. Section 53.4942(a)-3(b)(2) 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 IRC Section 4942(g)(2).

Additional information

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

Visit www.irs.gov/setasides for more information.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. Enclosed are Letter 437, Notice of Intention to Disclose -Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

Keep a copy of this letter for your records.

If you have questions, you can call the contact the person shown above.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Redacted Letter 4797
Letter 437