

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

Department of the Treasury

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Date: **November 20, 2012**

**Employer Identification Number:**

**Contact Person - ID Number:**

**Contact Telephone Number:**

LEGEND

UIL LIST:  
4942.03-07

V=  
W=  
X=  
Y=  
a =  
b =  
c =  
d =

Dear

**Why you are receiving this letter**

This is our response to your March 1, 2012, letter 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 have requested approval of a set-aside of a dollars for the taxable year ending December , 20 for the purpose of a matching grant pledged to V, a public charity described in Section 501(c)(3) of the Internal Revenue Code. V will

use the funds it raises with the help of your matching grant to assist in the construction of W, a major addition to X, a hospital facility located in Y. The total estimated cost of W is b dollars, of which approximately c dollars in pledges have currently been made by government and private sources. Your agreement with V aims to raise a total of d dollars by establishing a dollar for dollar match. On or before December 31, 20 , you will pay to V from the set-aside an amount equal to the contributions it received for the Project, up to the amount of the set-aside. You believe that V can reasonably be expected to raise a dollars by December 15, 20 , the date the matching contribution offer expires.

Your project is better accomplished through a set-aside than through an immediate payment of funds, because the purpose of a matching grant is to stimulate contributions by other persons or entities and this cannot be accomplished unless the payment of the grant is deferred until the contributions that qualify for matching are actually received. In the present case it is likely that will require an extended period of time to secure a dollars in contributions. The set-aside will also allow you to retain control over the matching funds in order to ensure that construction progresses as planned, and that the funds disbursed are used solely for the construction of W.

One of your foundation managers has provided a written statement that the a dollars set aside will actually be paid to V within 60 months to the date of the set-aside.

### **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 projects where grants are made as part of a matching-grant program.

**What you must do**

Your approved set-aside will be documented on your records as a pledge or obligation 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,

Holly O. Paz  
Director, Exempt Organizations  
Rulings and Agreements

Enclosure