

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

Department of the Treasury

Release Number: 201501016
Release Date: 1/2/2015
Date: October 9, 2014

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

b= dollar amount
c= dollar amount
Y= date

UIL
4942.03-07

Dear _____ :

Why you are receiving this letter

This is our response to your April 23, 2013 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 are requesting to set aside b dollars in the fiscal year ending Y, for the purpose of funding multi-year construction and renovation of a property you own to house your charitable activities. The property is a commercial office building you received as a contribution and is not subject to any mortgage or lien. Your purpose is to provide innovative solutions to challenging issues in the promotion of animal welfare. The renovated property will be used as a companion-animal shelter, a research and training facility, and house your grant-giving program and public education program.

Construction is expected to begin at the start of the fiscal year after Y and you anticipate the facility will be operational within a year of that date. The total cost of

the project is expected to be around c dollars. You do not expect any additions to the set-aside after the initial establishment.

Your project can be better accomplished by a set-aside because expenses for the design and construction of your project will be incurred over approximately two years. Payments will most likely be made in installments conditioned on completion of a particular benchmark. Because you will not be able to control the timing of the benchmarks, you will not be able to cause these payments to meet the minimum distribution requirements of Section 4942 of the Internal Revenue Code.

You have provided a statement signed by your president that you plan to set aside b dollars, which will be paid out in approximately two years, but no more than three.

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.

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

Sincerely,

Director, Exempt Organizations

Enclosures
Form 872
Redacted letter