

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

Department of the Treasury

**Number: 202005027
Release Date: 1/31/2020**

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

Date: November 4, 2019

LEGEND

B = Country
C = University
D = City, Country
E = Type of University
F = District
G = Head of Government District
H = Bank
J = Nationality
x dollars = amount
y dollars = amount

**UIL
4942.03-07**

Dear :

Why you are receiving this letter

This is our response to your December 31, 2018 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

Your mission is to help economically disadvantaged youth in B and the United States. This mission has been quantified over the years into two parts:

1. Providing scholarships to deserving students enrolled in C, and
2. Training high school students, initially from D, to prepare and compete for admissions into an E, of which there are in B.

The training you conduct requires a training center to be developed in D. You have requested a set-aside for this project. Several steps will need to be accomplished including land acquisition, building and development of a training infrastructure, and setting up a branch office. Land will likely require substantial funding; however, you expect land to be contributed by the local or state government of F and have put in a request to the G. Training infrastructure will take years once the land is donated or purchased. You plan to secure H approval for your branch office and create a J non-profit organization so that you can solicit local funding.

If land is donated by the F government, you will need approximately x dollars to complete the training center. You estimate approximately years to accumulate the required funds (y dollars per year), with construction beginning in the year.

This project can be better accomplished by use of a set-aside. Purchasing the land and beginning construction immediately would be a much more expensive undertaking, require various approvals from D, and leave less funding for the first objective of your mission (providing scholarships to deserving students enrolled in C). The training center project does not remove your obligation to fund these scholarships on an ongoing basis.

Your founders and manager certify that the training center project is imperative to accomplish the second objective of your mission. You are requesting to set aside funds over the next years at approximately y dollars per year (a total of x dollars) to be spent during years and to develop the training center.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure