

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

Department of the Treasury

Number: 202043010
Release Date: 10/23/2020

Date: July 28, 2020

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

LEGEND

UIL: 4942.03-07

B = State
C = County
D = Individual
E = Building
F = City
G = State
H = Date
s dollars = Amount
t dollars = Amount
u dollars = Amount

Dear :

Why you are receiving this letter

This is our response to your August 23, 2019 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 were formed under the laws of the State of B. You wish to set aside a grant totaling s dollars for C. C is a governmental unit as described in Section 170(c)(1) of the Code. C owns and maintains the historic E located in F, G. The E was built in the style by master architect D. The E is on the

National Register of Historic Places. The E has served its original intended use continuously for more than 100 years. Today, the E is in need of exterior repairs to prevent further deterioration to the structure and in need of accessibility improvements.

C has proposed a restoration project to, among other things, restore the exterior of the E and make accessibility improvements consistent with the historic preservation standards (the "Project"). The total cost of the Project is estimated to be approximately t dollars. The ultimate goals of the Project are to protect and preserve a regionally significant building that plays an important role in C's social and cultural heritage and to create ease of access to county services for all residents.

Your grant is the subject of a grant agreement between you and C (the "Agreement"). Pursuant to the terms of the Agreement, you will make a matching grant of s 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 costs 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 certain other conditions of the Agreement, you will disburse 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 project account. Subject to the satisfaction of all of the conditions of the Agreement, C may make disbursements from the Project Account to pay reimbursement costs of the Project, provided that, unless otherwise agreed by you, disbursements from the Project Account are limited to one-third of the total reimbursable costs incurred in connection with the Project to the date of disbursement.

You stated 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 use of a set-aside. With regard to the matching-grant program, you believe that 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 and restoration needed for the E, grants from the community at large must form an essential and significant part of the Project funding. Through the matching-grant program, you hope to encourage other donors to support the Project. The approximate three-year period provided in the agreement to raise the necessary matching funds has been mutually agreed by you and C as allowing sufficient time for C to complete its anticipated capital campaign for the Project. With regard to the maintenance of quality control, 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 the E. By making the

disbursement 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 the E 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 will be made within 21 business days after the conditions of the Agreement are satisfied. Accordingly, payments must be made not later than H (21 business days after the latest possible date for satisfaction of the specified conditions) which is less than 60 months from 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, 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure