

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

Department of the Treasury

Date: July 21, 2021

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

ReleaseNumber:202141030
Release Date: 10/15/2021

LEGEND

B = State
C = Name
D = Specialized
E = Specialized Equipment
F = Specialization
G = Quantity
H = Quantity
J = Date
K = Date
L = Date
M = Date
P = Specialized Equipment
X = Date
Y = Date
Z = Name

UIL: 4942.03-07

p dollars = Amount
q dollars = Amount
r dollars = Amount

Dear _____ :

Why you are receiving this letter

This is in response to your September 15, 2020 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 upon 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 in X. You have requested a set-aside of p dollars for the tax year ending Y. The nature and purpose of the set aside is for Z through the awarding of C to universities that will fund the equipment purchase, installation costs and other research expenses associated with newly emerging D techniques. The specific technique of interest for Z is that which incorporates focused E and

, with advanced F that provides enough . Specifically, this advanced technique will allow biologists to watch and directly record the most basic cellular processes that to-date have only been inferred. Some example research questions that can be addressed with this technique include how exactly viruses (such as COVID-19) interact with the cellular membrane to first invade a cell, or how does DNA fold and unfold itself during cell division, or which proteins are misfolded in diseases such as sickle-cell anemia.

Currently, this technology is found in less than G research labs within the United States. Through the set aside, you plan to fund H additional laboratories to acquire this capability. You explained that you are well positioned to do this as it will directly build on the previous investment that you made for the

The cost of the additional equipment for the advanced and the focused E, along with a -year service contract is estimated at r dollars per site. Additionally, a dedicated technical support staff member will be necessary for successful operation of the focused E. You will also structure the Request for Proposals for C to provide a portion of these costs (a total of q dollars per site) while the applicant university agrees to provide the remainder of the required funding. This will ensure that the selected universities will have committed to substantial institutional support for long-term operation, including

To award C, you will conduct a national competition that will be open to your prior recipient universities as well as other universities and their research teams. Only those universities in the United States that have P and their research teams located within the U.S. are eligible to submit a proposal and receive C.

In addition, before the competition is opened, you will host a workshop that will refine the requirements for proposals for this competition. Once the proposals are received and then reviewed, the most appropriate universities will be selected for C. You will then provide multi-year grants totaling q dollars in the years of J and K for the purchase and installation of E at the winning universities. You will also verify their successes for these years. This will then be followed by r dollars in research grant funding for the years L and M.

Furthermore, an authorized signer from each of the recipient universities will be required to sign your acknowledgement form that states that they have reviewed and agree to the Terms and Conditions for receiving C which are consistent with your restated bylaws, and philosophy statement.

Z can be better accomplished by a set-aside rather than by an immediate payment of funds because of the complex and costly nature of Z, as well the time required to successfully implement C. The set aside approach also allows you to have control over the use of C, to help ensure its success.

You will distribute the total set aside amount within _____ months after the date of the first set aside.
You have no planned additions to the set aside after its initial establishment

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 be better 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 sustainability test described in Section 53.4942(a)-3(b)(2).

Section 53.4942(a)-3(b)(2) of the Foundations and Similar Excise Taxes 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 into a four-year construction contract. The construction contract payments were to be 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 when 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 precedent.

Please keep a copy of this letter in your records.

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

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosure