



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
01/24/2024
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:
Fax:

Release Number: 202416018
Release Date: 4/19/2024

LEGEND

b dollars =
c dollars =
d dollars =
e dollars =
F = city/state
G = tax year end
H = date
J = year
K = date
L = date

UIL: 4942.03-07

Dear _____ :

Why you are receiving this letter

We received your _____ request for approval of a set-aside under Internal Revenue Code (IRC) Section 4942(g)(2). Based on the information furnished, your request is approved.

You are recognized as tax-exempt under IRC Section 501(c)(3) and as a private foundation under IRC Section 509(a).

What you need to do

Document your approved set-aside(s) in your records as pledges or obligations. You must pay the set-aside amounts within 60 months after the date of the first set-aside, as required under IRC Section 4942(g)(2).

Take into account the amounts set aside when determining your minimum investment return under IRC Section 4942(e)(1)(A) and the income attributable to your set-asides when computing your adjusted net income under IRC Section 4942(f).

Description of set-aside request

You support efforts to advance justice and opportunity for people in need, honoring your core values of racial equity, economic well-being, and fundamental fairness for all. You work primarily in the issue areas of adult criminal justice and youth justices and makes grants to group working in its selected jurisdictions to: advance the redirection and prioritization of state and local resources toward targeted investments that support system-involved individuals in their communities; reduce state incarceration levels and racial disparities through reforms in sentencing, charging, and supervision policies and procedures, advance state policy reforms that dramatically restrict youth incarceration, abandon the youth prison model, and adopt community-based

approaches for youth in juvenile justice system; and support innovative strategies to counter structural racism in the youth justice system, with a particular focus on front-end reforms.

In furtherance of your mission and activities, you own a headquarter building located in F (the "Building") where it has offices for staff and also maintains meeting and conference space that you use for your own purposes and also make available to like-minded IRC Section 501(c)(3) organizations to use in furtherance of their missions. In order to make the Building more conducive to carrying out its mission and the missions of the organizations that use the space, you have determined that it is your best interest to renovate and modernize the space and related equipment. You wish to set aside b dollars for the entire Building projects initiated during your taxable year ended G.

There are three renovation projects of the Building:

- a. An upgrade to the heating, ventilating, and air conditioning system of the Building. This involves replacing three boilers, two chillers, and numerous air handling control systems throughout the Building, as well as piping and other related equipment. You entered into a contract with a general contractor for these services in H. This work is expected to be completed during the summer of J. The total cost of this project is estimated to be c dollars.
- b. A renovation of the floor office space that houses your staff, as well as a portion of the basement. This portion of the project will involve replacing all lighting on the floor with energy efficient lighting, the floor portion of the HVAC upgrade work describe above, expanding a common conference room, upgrading the audio visual equipment, adding new offices from areas that are now cubicles, replacing carpet and hardwood flooring, creating new space for visiting staff, and expanding a kitchenette/break room. In the basement, you will reconfigure two existing offices as a fitness center, including purchasing and installing various equipment, and improving the existing restroom and shower. You have engaged a design firm for this project and is in the process of identifying a general contractor. This project should be completed during your taxable year ending K and is currently estimated to cost at least d dollars.
- c. A renovation of spaces on the and floor of the Building. The Building has a large conference room on the floor that serves as the boardroom for your board of directors meetings. The Building also has a large auditorium and multi-purpose room on the floor that you use for large meetings and other events. As one of you program activities, you also permit other IRC Section 501(c)(3) organizations to use the floor conference room, two smaller meeting spaces on the floor as well as the auditorium for meetings and other events. In addition, these rooms are accessed through the Building's lobby, which includes a reception desk and space identifying the Building as owned by you. The conference room, the auditorium, and the lobby have not been renovated in over years. All areas are in need of renovation to more appropriately and effectively serve your purposes and the purposes of other Section 501(c)(3) organizations that use the spaces. Specifically, you desire to make changes to the conference room so that it will be more flexible space than it is currently by adding furniture that can be configured in multiple ways depending on the nature of the use. Both the conference room and auditorium need to be configured with new state-of-the-art audio-visual equipment. You have engaged a design firm for this project and have begun meeting with the design team. This project will begin during your taxable year ending K, and is expected to be completed during your taxable year ending L. The project is currently estimated to cost e dollars.

Although you may incur additional expenses related to the Building renovations, you do not plan to make any additions to the set-aside once established. You intend to fund the renovations from you endowment. As a long-term project, setting aside the funds now ensures that the funds will be available for the renovation and allows you to pay for the project as costs are incurred. You have also retained a real estate management firm that will

provide project oversight for the renovation. The set-aside amount will actually be paid no later than 60 months following G.

Basis for our determination

IRC Section 4942(g)(2)(A) states that an amount set aside for a specific project, which includes one or more purposes described in IRC Section 170(c)(2)(B), may be treated as a qualifying distribution if it meets the requirements of IRC Section 4942(g)(2)(B).

IRC Section 4942(g)(2)(B) 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.

IRC Section 4942(g)(2)(B)(i) 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.

Treasury Regulation (Treas. Reg.) Section 53.4942(a)-3(b)(1) 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 Treas. Reg. Section 53.4942(a)-3(b)(2).

Treas. Reg. Section 53.4942(a)-3(b)(2) 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 IRC Section 4942(g)(2).

Additional information

This determination is directed only to the organization that requested it. IRC Section 6110(k)(3) provides that it may not be used or cited as a precedent.

Visit www.irs.gov/setasides for more information.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. Enclosed are Letter 437, Notice of Intention to Disclose -Rulings, and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

Keep a copy of this letter for your records.

If you have questions, you can call the contact the person shown above.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:

Redacted Letter 4797

Letter 437