



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

Date:
01/08/2025
Employer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202514012
Release Date: 4/4/2025

LEGEND

B = Date
D = neighborhood
x = \$ dollars

UIL: 4942.03-07

Dear :

Why you are receiving this letter

We received your December 18, 2023 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 have requested a set-aside of x for the tax year ending B.

The purpose of the set-aside is to build a location for you. The building of the facility will enable you to support local arts and cultural initiatives, contemporary artists and their work, and the local community through programming, convening, and advocacy. You will ensure that artists, principally underrepresented women and BIPOC artists and arts organizations, can focus their energies on creating a positive impact through their work and their collaborations. You previously purchased four commercial properties in D, with the intention of renovating the available space in order to create a public contemporary art exhibition space. The construction project is expected to attract further development to improve D, both an industrial and residential area that has been challenged by a lack of proper infrastructure and amenities. The project may serve as a catalyst for positive change in the community.

You believe that the project may be best achieved with a set-aside due to certain barriers that exist prior to starting construction. Primarily, a portion of the project's properties are tenant-occupied with leases ending in January 2025. In the interim, you intend to search and hire a builder's representative, an architect of record, and

a builder. You must also participate in community outreach initiatives to ensure minimum disruption for the duration of the project. You must also secure the remaining funds to complete the project.

You will distribute the total set-aside amount within 60 months after the date of the first set-aside. You anticipate no additions to the set-aside after its initial establishment notwithstanding unforeseen cost escalations or revisions to programmatic needs. If needed, additional filings will be made on a timely basis.

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.

We have sent a copy of this letter to your representative as indicated in Form 2848, Power of Attorney and Declaration of Representative.

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