



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
07/22/2025
Employer ID number:

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

Release Number: 202549022
Release Date: 12/05/2025

LEGEND

N = City
O = Number
p dollars = Amount
q dollars = Amount
r dollars = Amount

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 are requesting to set aside p dollars for a project to construct a new public high school for the School District of the City of N. The local school district enrolls over O students, but has faced significant challenges in recent years, particularly related to aging infrastructure and declining enrollment. The current high school facility is no longer conducive to the needs of the students.

The City of N is a distressed community, with a declining population and over one-third of its current population living in poverty. The new high school is intended to help support your vision to revitalize the City of N. It will provide a state-of-the-art educational environment for current and future generations of students.

The initial set-aside requested for the current calendar year is q dollars, with two additions of q dollars each to the set-aside over the next two years. The total amount of the set-aside over three years is p dollars.

The funds will be used for the project within 60 months, in one or more installments. The architectural plans and other details have not been finalized, and construction is expected to take around two years to complete. Thus, the project is better served by way of a set-aside, which would help preserve capital to cover the extraordinary construction costs, rather than the immediate payment of funds.

The School District depends heavily on your support because due to a combination of decline in student enrollment, a decline in the local tax base, and other facts, they are unable to finance the construction of a new building. The school district expects to receive a combination of public and philanthropic funds to complete the project. The overall cost of the project is estimated to be r dollars.

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