



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

Date:
09/30/2025
Employer ID number:

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

Release Number: 202552027

Release Date: 12/26/2025

LEGEND

M = Foreign organization

N = Region

P = Country

q dollars = Amount

r dollars = Amount

s dollars = Amount

T = LLC

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 a private foundation requesting to set-aside funds to provide a grant to a foreign grantee, M, to be used for a charitable project including the purchase of land and subsequent development of a hospital to treat cancer patients in N. The initial amount requested for the project is q dollars. The overall amount to be set aside for the entire project is up to r dollars. This includes an additional amount of s dollars which will be needed over the course of the next two to five years. These amounts are contingent on M meeting certain milestones for acquisition of land and construction of the hospital complex. The additional funds will either be loans to M at below market interest rates or contributed as an additional equity investment.

M is seeking a suitable property in N that can accommodate the project. In P, acquisition of property is a

complex process. M needs to have funds on hand in order to bid on an appropriate property. Since it is hard to conduct monetary transactions in P, and there are complex administrative processes related to doing so, you determined that a set-aside is the best option to protect your assets rather than contributing the funds directly to M all at once without any assurance that development milestones will be met. As such you have structured the transfer of funds to T, a limited liability company wholly owned by you. T will handle all negotiations with M in order to acquire land and construct the project. You anticipate funding \$ dollars in program related investments to T over the next 2 to 5 years as M meets time frames. T will be handling the funds to be released to M as needed to accommodate the overall project.

You attest that the amount to be set aside will actually be paid within a specified period of time that ends not more than 60 months after the date of the first set-aside.

Since P is a foreign country, you (and subsequently T) will follow the US Department of the Treasury Anti-terrorist financing guidelines and best practices.

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

Letter 437