



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: 202552028
Release Date: 12/26/2025

LEGEND

B = Foreign organization
C = Region
D = Date
F = Date
g dollars = Amount
H = LLC
j dollars = Amount
k percent = Percentage
L = Date
m dollars = Amount
n 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 a private foundation requesting to set aside funds to provide a grant to a foreign grantee, B. The funds are to be used for a charitable project including the purchase of land and subsequent development of a hospital to treat cancer patients in C. Cancer is prevalent in C and there is a lack of research and treatment facilities. This project is meant to alleviate this concern.

On D, you submitted an initial request of a set aside for this project. By the end of that fiscal year, F, you transferred g dollars to H, which in turn was going to make equity investments in or loans to B for the project. H is a limited liability corporation wholly-owned by you. H subsequently invested j dollars (a portion of g dollars) in B in exchange for a majority (k percent) ownership interest. This allows you to oversee and control B's activities to ensure that your funding is used exclusively for the charitable project.

You have a prior set-aside request for the same project. This request is for an additional set aside related to the same project but separate from the original D request. You said that due to the pace of inflation, you now anticipate the total cost will increase, which is the reason for this additional set-aside amount.

Because monetary transfers in and out of G is difficult and subject to complex administrative processes, you determined, during your initial request, that a set-aside best protected your charitable assets. It is more favorable than contributing the funds to B all at once without any assurance that development milestones (including the acquisition of the land for the project and the progress of construction) would be met. As such, you structured the undertaking by using H. After the L request was submitted you reassessed the project requirements. Due to the pace of inflation since your initial request, you are asking for a total set aside in the amount of m dollars, which is inclusive of the pending request and this request (n dollars).

You attest that the additional amount requested, n dollars will be distributed within 60 months of this current request.

Since C is located in a foreign country (G), you (and subsequently H) 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