



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

Date:
04/09/2026
Employer ID number:

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

Release Number: 202627019
Release Date: 7/2/26

LEGEND

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 requesting a set-aside in the amount of m dollars to acquire art for the purpose of displaying in art museums for the public. The purpose of the set-aside is to accumulate funds for the acquisition of major oil paintings, and drawings by renowned artists as art works become available. The amount that is set aside will be used within five years of the date of the set-aside.

Acquisition of art is a necessary component of your mission. You manage a collection of artwork for public display and support education in the arts. Estimated future costs of the project are expected to be approximately n dollars. To finance the purchase of art, you were awarded a stock contribution of m dollars. You stated that the purchase of the artwork is better accomplished by a set-aside as the actual availability and cost of the artwork is not presently available and cannot be prepaid. The use of the set-aside will allow you more time to carefully acquire rare art.

You expect to pay the amount set-aside within 60 months after the set-aside, as required by Treas. Reg. Section 53.4942(a)-3(b)(1) and IRC Section 4942(g)(2)(B).

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