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

IRS

Date:
05/07/2026
Employer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202631018
Release Date: 7/31/26

LEGEND
B = Entity
C = Number
D = Number
E = Number
f dollars = Dollars
G = Year
H = Year
J = Number
K dollars = Dollars

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 within the meaning of section 509(a) of the code.

The nature of the set-aside is for the construction of a multi-purpose education building containing classrooms, a kitchen, and general purpose room. The building will be used for expansion of an existing pre-school program and youth summer camp program conducted by B. B currently has C students, with the new building allowing enrollment of over D students. B currently conducts their program across E locations, and this new building will allow the programs to be consolidated into one location.

You are requesting f dollars for tax year G be set aside for construction of the building. Construction will begin in H and will be completed in J months. You have no planned additions to the set-aside after its initial establishment.

Your primary mission is the promotion of arts and education in your community. The education building budget is currently estimated to cost k dollars and expected to go higher. The education building is a large investment in your community that will compliment and build on your other projects. Even with the education building construction project, you have the funds to continue your other projects. You also partner with other community groups on your other projects and these groups can only utilize so much funding in a year. You made positive progress on starting the education building in G, but were not able to move forward with construction fast enough to meet your spending requirement. The set-aside will allow you to make focused, effective use of your funds and will enable you to continue the project as planned and continue your other projects without interruption. The requested set-aside, your G income, and a significant portion of your R income will be used to complete the education building project.

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