Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Date:
1/30/2025
Employer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202517024
Release Date: 4/25/2025

LEGEND
F = Authority
G = Ministry
H = Institute
x = $ amount

UIL: 4942.03-07

Dear :

Why you are receiving this letter

We received your December 22, 2023 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 operating foundation whose primary purposes are (a) to support the conservation and scholarly study of materials of historic and cultural significance, (b) to foster a wider public interest in the history and culture of the past, and (c) to support education.

You have designed, and are preparing to construct, two buildings at an ancient archaeological site with an estimated cost of x.

Building A is a scientific laboratory and archaeological storage building, which will be used to examine, preserve, and restore certain archaeological artifacts. The building will also have workrooms for conservation. Building B is an office building for the staff that manages the archaeological park. You will support the entire cost of construction for both buildings. Upon completion, the buildings will be granted to F, which is a part of G.

The funds will flow through H, an entity controlled by you, for the costs related to the construction of the two buildings. H is a philanthropic foundation that works to promote the study, preservation, and restoration of cultural heritage. H works in partnership with F and other organizations to support a wide range of cultural projects, including archaeological excavations, conservation of historic buildings and monuments, and the preservation of art and artifacts.

The building project is an extraordinary undertaking outside of your normal activities with a cost of x and is expected to take 4-5 years to complete with architectural drawings, contract negotiations, and actual construction time. The project may be better accomplished via the use of a set-aside, given the length and expenditure of funds required for construction. You plan to pay funds out of the set-aside amount as work is completed and invoices are submitted, reviewed, and approved. This will allow you to retain the leverage and negotiating power to ensure that work is done according to the specifications.

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

Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
IRS P.O. Box 2508
Cincinnati, OH 45201

Date:
01/30/2025
Taxpayer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202517025
Release Date: 4/25/2025

LEGEND
B = School
C = State
D = School
E = State
F = Academy
G = number
y = $ amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

Our determination
We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in IRC Section 117(b)).

Description of your request
Your letter indicates you will operate a scholarship program under IRC Section 4945(g)(1), which will offer three separate need-based scholarships as follows:

• An annual scholarship for a graduating scholar-athlete from B in C who plans to study and be a member of a Division I, II, or III level athletic team at a college or university of their choice

• An annual scholarship for a graduating scholar from D in E who plans to become a physician and study medicine at the college or university of their choice

• An annual scholarship for a scholar who plans to attend F in C for their sophomore, junior, and senior years of high school

The number of scholarship awards will range from G annually for the fall and spring semesters. Each scholarship will be awarded in an amount of up to y per year and will be publicized through contact with school administrators.

The eligibility for each of the scholarships are as follows:

• For the B scholarship, the recipient must be a graduating senior scholar-athlete from their school in good academic standing who will attend and be a student-athlete at a college or university

• For the D scholarship, the recipient must a graduating senior from their school in good academic standing who plans to become a physician and study medicine at a college or university

• For F scholarship, the recipient must be a freshman in good academic standing at their current school and plans to attend F through their senior year

Applicants for any of the scholarships must submit a copy of their official transcript, an application, a personal essay, and documentation of financial need. The schools which the applicants currently attend when applying for the scholarships will be responsible for reviewing the applications for each scholarship and, presenting up to three candidates for evaluation by the selection committee. The selection committee will then choose the recipients from among the recommended candidates. The selection committee will evaluate the recommended candidates based on the following criteria:

• Prior academic performance
• Performance on tests designed to measure ability and aptitude for educational work
• Information regarding the applicant's career aspirations, academic and other relevant experiences, and financial need
• The selection committee's conclusions as to the applicant's motivation, character, ability, and potential

The B and D scholarships may be renewed for up to four years, provided that the recipient remains in good academic standing at their college or university. F scholarship may be renewed for the recipient's sophomore through senior years, provided that the recipient remains in good academic standing at the school.

Your selection committee will be chosen by your Board of Directors. Members of your selection committee must disclose personal knowledge of and relationships with any applicant who was recommended by their school for consideration for any of your scholarships. Members must refrain from participation in the selection process in circumstances where they would derive, directly or indirectly, any private benefit from the selection of an applicant over others. Relatives of your selection committee members, your officers, directors, or substantial contributors are not eligible for your scholarships. You will pay scholarship funds directly to the college or university to which the recipient will attend. You will arrange to receive and review recipient transcripts and reports annually. If you suspect misuse of any scholarship funds, you will investigate diversion of said funds from their intended purposes and withhold further payments until you obtain assurances that future diversions will not occur.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

Other conditions that apply to this determination

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

  Internal Revenue Service
  Exempt Organizations Determinations
  TE/GE Stop 31A Team 105
  P.O. Box 12192
  Covington, KY 41012-0192
- You can't award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

We'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed 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.

Please keep a copy of this letter in your records.

If you have questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437