



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

Date:
04/28/2025
Employer ID number:

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

Release Number: 202530021

Release Date: 7/25/2025

LEGEND

X = University
Y = College
Z = College
m dollars = Dollar
q dollars = Dollar
t dollars = Dollar
N = Date
P = Date
U = Date
R = Specialization
S = Specialization

UIL: 4942.03-07

Dear :

Why you are receiving this letter

We received your October 23, 2024 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 side is to grant m dollars to X for the endowment of a full professor position within Y specializing R and S. This position will be committed to increasing collaboration between Y and Z. The minimum amount required by X Office of Development for a full professorship is t dollars. The goal of your

Project, to be funded by this set-aside, is an establishment of a Distinguished Chair, which must be endowed with at least m dollars.

Beginning with the year the set-aside is approved, any remaining funds that you budgeted for mandatory distribution will be set aside for this project prior to the end of the fiscal year. Your goal is m dollars gifted to X on or before the expiration of the 60-month period beginning with the first set-aside.

Through discussions with the deans of Y and Z along with X Office of Development, you learned that that the establishment of the professor position cannot be accomplished within one year. You have, however, communicated to X the structure of this set-aside and the requirement it be fully paid within 60 months after the date of the first set-aside.

According to X Office of Development, endowed positions must be fully funded prior to recruitment of individuals for the position. However, the amount required for a full professorship far exceeds the amount budgeted annually for your mandatory distributions and utilizing your principal funds will hinder your future giving capacity.

Since the amount of the planned endowment exceeds your annual giving capacity, an accumulation of funds is required. Since your request is being approved after N, the initial set-aside of q dollars will be made in the tax year ending P. You will then make planned additions to the initial set-aside equal to q dollars for each of the next four (4) consecutive tax years, such that the total amount set aside will equal m dollars on or before U. At that time, the endowment will be fully funded and X may begin recruitment of candidates for the professorship.

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

Enclosures:
Redacted Letter 4797
Letter 437