

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201737015**  
Release Date: 9/15/2017

**Date: June 20, 2017**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

w = number  
X= fund name  
y dollars = amount  
z dollars = amount

**UIL:**

4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**Our determination**

We approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

You are creating X to award grants to individuals, who work at your grantee organizations, for professional development opportunities. Specifically, individuals or organizations may request funding for conferences, training, seminars, courses, and other professional development opportunities. X will be publicized through email to all past grantees, which includes over 200 entities. Your board approved y dollars to be allocated to X and you expect to award up to w grants. Applicants may request up to z dollars per organization.

Grantee organizations are located in approximately 14 different counties and several issues areas. Your goal is to select grantees that represent this diversity. Potential recipients must submit an application form and provide specific details about the cost of the program or opportunity they want to pursue. Grant recipients are selected based on the strength of their request, including relevance to their organization, need, quality of proposal and how it will benefit both the individual and organization.

Grant funds are remitted directly to the nonprofit organizations. The purpose of the funds will be specified in the grant contract. A status report will be requested after the opportunity concludes. The grant recipients will be asked how the funds were used, what benefits the applicant and the organization received, and how the opportunity will strengthen the organization. Any violations of the grant agreement will be dealt with on a case by case basis, likely requesting repayment of the grant if the original intention can no longer be executed.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). 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 of the following requirements of Code 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 section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **Other conditions that apply to this determination**

- This determination covers only 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 precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make 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 must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code 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.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements