

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201747010**  
Release Date: 11/24/2017

**Employer Identification Number:**

**Contact person - ID number:**

**Date: August 29, 2017**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

X= NAME OF INTERNSHIP PROGRAM  
Y= NAME OF CITY  
z dollars = TOTAL AWARD

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**

Your letter indicates that you will operate an educational grant program.

Your purpose is to promote education. Your grant program seeks to provide students with the education necessary to transition from school to the workplace. Your program is part of a broader internship initiative called X, which is a citywide collaborative effort that includes the city of Y, schools, businesses and civic organizations.

X exposes, prepares, and connects students to careers in regional high-paying industries. X provides students with life experience in the workplace and with soft skills and business etiquette training they cannot obtain through high school classroom learning.

The grants are inducements for participants to complete the program, payable upon each phase of completion. Students who complete X's program will receive a total award amount of z dollars. You will pay the award in three equal installments, the first one after the student completes the first set of training hours. Any student who does not complete this training is ineligible for an award. The second installment will be distributed at midway point, and the last one upon completion of X's internship program. Students must participate in the entire program to earn the full award. If a student does not show up for work or leaves the program due to behavioral issues, the remainder of the internship will not be paid. There is no stipulation that the awards be utilized for any specified purpose.

You will publicize your program through participating high schools. School leaders will be provided recruitment fliers to place around campus. You will conduct in-school recruitment sessions which include a power point presentation, a video and Q&A sessions. You will also advertise your program through your website.

To be eligible students must be high school seniors attending public high schools participating in X. They must complete an application process and have interest in pursuing a career in healthcare, technology or skilled crafts.

Candidates are evaluated on a variety of factors including leadership experience, demonstrated commitment to the program, oral and verbal communications skills, GPA, extracurricular involvement and feedback from teachers. The selection committee endeavors to select a diverse cohort that includes students across a range of preparedness using a scoring format. It will not discriminate based on race, creed, color, ethnicity, national origin, religion, sex, sexual orientation, gender expression, age, height, weight, or physical and mental ability.

The selection committee is comprised of two members of your staff, and two staff members from the provider of the soft skills training.

You will hire teachers as coaches/case workers for the students. These coaches will help with the soft skills and business etiquette training and then, once the 90 hour internship begins, they will act as case managers, staying in touch with both the student and employer to help resolve any problems that might occur. You will obtain reports from each employer on the student's performance.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

### **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