

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

Department of the Treasury

Number: 202034009
Release Date: 8/21/2020

Date: May 28, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Name
C= State
D= Months
E= Months

x dollars= Amount

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 grant procedures. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grant procedures 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 you will operate a residency program called B.

You were created to establish a sanctuary where individual artists, architects, art critics, art historians, and art scholars can create, study, and write on art while inspired by the beauty of the natural and isolated surroundings of the coastal C area.

The purpose of B is to provide time, space, community, and financial support to emerging and established visual artists and art professionals for the purpose of advancing projects, and connecting recipients with peers and the community. Visual artists may include but not be limited to those engaged in a practice rooted in painting, photography, sculpture, design, and architecture.

B will be offered during the first few weeks of D and E. Each of the sessions will consist of a small group of residents with preference to given to women, people of color and those in connection to C. In addition, the number and composition of participants in each session's program is determined based on the need and qualifications of the artists. You will also not consider applications from individuals who have previously attended B.

To promote B, you will use strategic outreach to individuals and colleagues in the field of the visual arts in the United States. Further, you will use word of mouth as well as through events in Southern C such as open houses at your facility. In addition, you will develop press releases regarding B to announce recipients.

To be eligible for B, applicants must:

- Be at least 21 years old and residing in the United States;
- Commit to taking part in the residency in its entirety;
- Be interested in being part of a small residency community
- Demonstrate a strong professional work history of at least 5 years in their field.

Information about the application process will be available on line. At first, artists will be nominated by a nominating committee consisting of your executive director, your board chairmen, and art experts. The nominated artist must then submit basic biographical data as well as their resume, a three-part statement about the their creative and intellectual interests, a description on how the opportunity would be used, a description of their need based on their current workspace and digital media files showcasing previous work.

All applications are then reviewed by a committee of visual art professionals who will select the residents based on artistic merit, professional skills and their interest in participation and community building. Successful applicants must demonstrate a deep appreciation of visual arts with a practice rooted in painting, photography, sculpture, performance, design, architecture, craft, and/or community engagement. At least one of the residents will have a deep connection or affiliation to C.

You will require selected residents to read and sign your policy handbook. Upon successful completion of the residency, each recipient will complete an exit survey as well as receive an honorarium of x dollars to help offset the costs they will incur as a result of attending the program.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversion from occurring.

You will maintain case histories and document recipients of grants, including names, addresses, amount of grants, purpose of grants, manner of selection and proof that they were not related to officers, trustees or donors.

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