



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

Date: February 8, 2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202218030
 Release Date: 5/6/2022

UIL: 4945.04-04

LEGEND

- X - Program
- Y = School District
- Z Individual
- c = Number
- e dollars = Amount

Dear _____ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

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 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 IRC 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 grant program called X.

The purpose of the X is to provide a critical and consistent need for students _____ to _____ in middle and high school by preparing them for post-secondary education and successful career. The grant period could start as early as _____ grade and last for _____ years. To publicize your program, you will develop and distribute written and electronic materials to countywide public school system counselors and administrators initially located in Y. Each recipient will be limited to e dollars per semester and you will determine the number of grants annually. Grants will be renewed annually for recipients who are not on academic or disciplinary probation, making satisfactory progress toward high school graduation and meeting the overall X objectives. Any amounts more than e dollars will require your board approval.

Applicants will not be accepted if they are related to your board members, board members' subordinate, selection committee, officers, substantial contributors, or Z.

You will hire an experienced education professional that your referred as Z. You will start out with one Z and c recipients. If X is successful, you will expand by hiring additional Z. Z is responsible to access the recipients needs, directed resources as needed and becomes the recipients advocate with recurring interaction with the recipients. Recipients needs and progress will be continuously monitored by Z to ascertain adequate resources are provided. These resources include but are not limited to books, school supplies and equipment, overall health and well-care assistance and fees in support the recipients educational objectives. Funds will be expended on a need basis as determined by Z.

Z will prepare an initial report summarizing the basic information about each recipient needs and expected outcome. Z will be responsible to acquire and develop systems to track the progress of each recipient. Z will also maintain detailed records supporting the recipients progress and provide written semester and year-end progress reports which will include grades, standardized test scores, behavioral issues, and student attendance. The semester progress report should also include all expenditure. Upon high school graduation of recipients, Z will submit a final report summarizing the results and critical milestones.

The public school system counselors and administrators will make referrals to you. Selection criteria will include but not limit to student academic and social needs, desire and interest to be part of X, expected benefits from X and economic necessity. Your selection committee will include:

- one representative from the local public school system,
- one representative from your board,
- one representative from your directors, and
- at least one Z.

No representatives from the local public school system or Z could be related to your board members. Any changes to this committee must be approved by your board. No selection committee members will be in a position to receive private benefits, directly or indirectly from the recipient selections.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- 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 also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

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 grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of IRC 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 Regulation 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 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