



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

Date:  
05/17/2023  
Taxpayer ID number:  
  
Person to contact:

Number: **202332023**  
Release Date: 8/11/2023

**LEGEND**

B = Number  
x dollars = Amount  
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 (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 to provide grants to individuals to achieve a specific objective or to improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

The purpose of your grant program is to provide financial assistance for a goal-oriented individual, and for the purchase of supplies, materials, tools, etc. required to achieve the specific objective of the applicant.

Your grant program will award approximately B awards annually. You provide levels of grants for x dollars, y dollars and possibly z dollars.

To be eligible for your grant program, applicants will complete an essay explaining their goals and aspirations and how they can improve in their field of expertise. Successful grantees will range from student, athletes,

journeyman, interns, or any individual immigrant who can voice their need for financial help.

Your grant application is located on your website and will only be accessible on line. Your grant application process includes completion of an essay and an interview.

You will publicize your grant program on your website and use social media to bring exposure to your program. You will also promote your grant program through connections at local colleges.

Your selection committee is selected from members of your Board of Trustees. Your selection committee members and any vacancies by reason of death, resignation, retirement, removal or other inability to serve shall be filled by the affirmative vote of a majority of the Board of Trustees. Relatives of members from your selection committee are not eligible for the grant.

Your specific criteria to select recipients will include financial need, desire to improve with knowledge and ambition, academics, completion of an essay and an interview. In addition, you will require applicants to substantiate their financial need in writing and in the interview.

Your grants are meant to be a one time event for grantees. You do not require grantees to perform services after receiving their award.

You will require knowledge and track how funds are spent to assure they are used properly. Grantees are required to provide receipts and reports on how funds were spent in a timely manner.

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