



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

Date:
05/31/2023
Taxpayer ID number:

Person to contact:

Number: 202334021
Release Date: 8/25/2023

LEGEND

B = Program
C = State
d dollars =

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 program called B, to make grants and provide awards to high school-level educators at public, private, and parochial schools to further the recipient's research, education, and pedagogical skills. The program's specific purpose is to provide educators with the financial support to pursue an activity, obtain equipment, or otherwise undertake a learning opportunity that they would not otherwise be able to undertake without your support.

You will publicize the program on your website and through mass email and postal mail distributions to high schools and Departments of Education in C, and other recipients, all of whom are permitted to redistribute the solicitation material. The application form and the program's terms and conditions will be posted on your website as well.

Those eligible to apply are all high school-level teachers at public, private, and parochial school in the C area, but the program may be expanded to other areas of the United States over time.

To apply, interested individuals will submit an application to you that includes the following information:

- (i) the applicant's contact information, educational background, and other basic background information,
- (ii) a summary of the applicant's proposed project,
- (iii) a non-technical summary of the applicant's proposed project,
- (iv) a _____ of the applicant and any co-investigators,
- (v) a letter from a department or division chair discussing the applicant's qualifications,
- (vi) letters from collaborators who will contribute to the proposed project (if any),
- (vii) a projected budget, and
- (viii) a detailed proposal containing the applicant's specific aims, anticipated impact, projected timeline, bibliography, among more.

Each application will be evaluated by and grantees will be selected by a selection committee, currently anticipated to consist of your full Board of Directors. The Board of Directors will review each application and may pose follow-up questions to an applicant including through a phone interview. Members of the Board of Directors will ensure that they are not be in a position to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. Moreover, members of the family of any director will not be eligible to participate in the Program.

In particular, the Board of Directors will award grants on the basis of criteria related to the purposes of the grants, which will include the following:

- Relevance to applicant's teaching: how the proposed project is likely to enhance the applicant's pedagogical skills in support of their students;
- Relevance to applicant's education: how the proposed project is likely to further the applicant's own growth as an individual and as an educator;
- Significance to global community: how the proposed project is likely to improve the planet, help humanity, and enhance education;
- Applicant: the qualifications and prior experience of the applicant; and
- Proposed project: the presence of (i) a clearly articulated proposal, (ii) objectives that are well thought out, realistic, and technically feasible, and (iii) a budget realistically supported by the grant.

Awards will be made for an amount of up to d dollars, paid in two installments, for a one-year term. A grantee must wait a period of three years before applying for an additional grant. The exact amount of a grant will be determined based on the proposed budget submitted by the applicant. The number of grants awarded annually will vary, depending on the amount of funds available and the number of eligible applications you receive.

Grants will be earmarked for the use of the specific teacher who applied for the grant, but may, in certain cases, be distributed to and disbursed by the academic institution with which the grantee is employed (Affiliated Institution).

Upon acceptance of an application, you will send a grant agreement to the recipient containing the terms and conditions of the grant, and the grantee will be required to sign and return the grant agreement to you. In particular, grantees will be required to adhere to the following principal conditions:

- Use of Grants. Each grantee will be required to use his or her grant only for the purposes of the grant and in a manner consistent with the U.S. laws applicable to private foundations.
- Reporting Requirements. Each grantee will be subject to reporting requirements on at least an annual basis and at the end of a grant's funding period.
- Foundation Events. Grantees may be requested to attend periodic events put on by you that feature their projects.

- **Transfer or Termination of a Grant.** Grantees who intend to move to another high school will be required to submit a transfer request to you. If a grantee does not intend to continue his or her project at another high school, you will cancel the grant and require the return of any unused funds. Grantees will be prohibited from transferring grants to other teachers.

- **Change in Status.** Each grantee and Affiliated Institution will be required to notify you of any change in the grantee's employment status within 30 days prior to the change.

- **Post-Grant Reporting.** Following the conclusion of a grant, each grantee will be required to respond to requests for information from you regarding the grantee's progress, including providing a final narrative and financial reports shortly after a grant's conclusion that detail the grantee's accomplishments with respect to the grant and that account for the funds received by the grantee, as well as other information upon request.

- **Affiliated Institution Records.** Each Affiliated Institution will be required to keep systematic records of all expenditures related to each grant for three years following completion of the grant and make such records available for inspection by you during normal business hours, upon reasonable notice.

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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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

cc: