



Date:
06/12/2023
Taxpayer ID number:

Person to contact:

Number: **202336033**
Release Date: 9/8/2023

LEGEND

B = Name
c 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 the B program to award B to recipients of your individual grant and prize programs. You are an independent literary organization committed to a vigorous presence for poetry in our culture and sponsor a number of prize and fellowship programs.

Under the B program, you will award B that may be used only to cover approved travel, meal, and lodging expenses incurred by recipients of your various prize and fellowship programs. Examples include receptions honoring prize winners and highlighting their contributions to the world of poetry, public recitations of works of poetry, poetry competitions, seminars and panel discussions on poet- and poetry-related topics, and similar events. In certain cases, expenses may also be approved for a companion or chaperone of the winner, such as when the winner is a minor. B awards will not be approved for any other purpose.

The total amount of awards under the B program will vary from year to year, depending on your overall budget, the needs of your other programs, and other varying factors. The amount of each grant will cover only the

approved costs of travel, generally limited to economy airfare, lodging, and meals. The amount of each grant will vary, but is expected to average around c dollars per person.

The awards are not renewable, but an individual may be eligible for multiple awards if they are the winner of more than one of your grants.

There will not be a separate review committee for the B program, rather, you will rely on the analysis conducted by the selection committees for the underlying prize and fellowship programs. Because those selection committees are comprised of qualified experts and follow extensive review procedures, you are assured that your B awards will be distributed in an objective and nondiscriminatory manner. In all cases, the respective selection committee makes the final determination. No disqualified person with respect to you is eligible to receive a grant from you nor is any member of the various selection committees or their families.

B awards will be paid in two ways: (1) direct expenditures by you to an airline, hotel, or travel agent for the benefit of the selected individuals, or (2) reimbursement of an individual's approved expenses. In either case, the potential for misuse of funds is minimal. You will either be making all travel and lodging arrangements yourself for the participants, or reimbursing only those approved expenses already incurred by the participants. If you obtain information indicating that funds were misspent, you will attempt to recover the funds. While conducting an investigation, you will withhold any further payments (if any) until the matter is resolved. If a diversion is determined to have occurred, no further payments will be made to the individual and appropriate steps will be taken to recover the funds, if possible.

You will maintain appropriate records regarding the amount of the award, the individual receiving the award, information sufficient to ensure that the recipient was not a "disqualified person" under Code Section 4946, the purpose of the award, and any investigations of possible diversion of grant funds.

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: