



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

Date: 07/24/2023

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202342019

Release Date: 10/20/2023

UIL: 4945.04-04

LEGEND

W = Program

X = Location

Y = County 1

Z = County 2

b grants = Number of Grants

c dollars = Maximum Grant Amount

d dollars = Grant 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 an educational grant program named the W. The purpose of the grant is to find solutions and recommend solutions for the youth of X. The contents of the report may be made available to community partners for potential implementation.

You plan on awarding between b grants annually. The grants amounts are for up to c dollars to individuals to study an issue or issue(s) affecting the young people of X. The program will be publicized through advertising, social media, website, and target the youth of X.

Once applications are received from the those interested in applying for the grant award, they are reviewed by your staff for eligibility, prior work and commitment to youth, and application completion. Applications are then submitted to the selection committee for review. The selection committee or a subset of the committee will evaluate the proposals that are most likely to positively impact the conditions for the young people of X. The committee will invite the finalist for an in-person interview and presentation and will make a recommendation for awarding grant(s) to the President and Board of Trustees.

Eligibility criteria includes:

- People ages will be eligible.
- High school graduates from a high school located in X
- Residents of X who have done work to support young residents of the city, or educators that work in X.
- Non-profit leaders that work with young people in X.
- Nominee must not hold elective office, or advanced positions in government. Your employees are not eligible.

The selection committee will be comprised of your staff, non-profit, for-profit and community leaders working with or committed to supporting young people in X. The selection committee will make recommendations to your President or Trustees. Your president will have final approval for grants up to d dollars. Your trustees will have final approval for all grants over d dollars.

Selection criteria used to select recipients will be:

- Demonstrating commitment and/or previous work to support the young people of X.
- Quality of the proposal received.
- Final candidates will be interviewed by the members of the selection committee.

Each award will be paid out in no more than four installments directly to the individual. The progress of the study will be determined by a report or meeting with a Foundation Program team member. The next installment will be approved for satisfactory progress.

Recipients must maintain residency within X, Y, or Z. Students attending a college or university are exempt from the residency requirement during the academic school year.

Although the awards are planned to be a one-time award, if the study requires additional funding to complete the work, approval of the board of trustees will be required. The Foundation will require a final report from the grant recipient for the benefit of documenting the proposed solutions for improving the lives of X young people. The report may be shared with community partners who may choose to implement some of the recommendations or findings documented in the final report.

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