



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

Date:
11/06/2023
Taxpayer ID number:

Person to contact:

Release Number : 202405016
Release Date: 2/2/2024

LEGEND

D = Name
F = City
F- Numbers
y dollars = Amounts

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 educational grant programs under IRC Section 4945(g)(3). Your mission is to support missionaries, support families burdened with the costs of autism and improve the quality of special education in E and its surrounding areas by making permissible grants to organizations and individuals.

The individual grant programs you plan to conduct are:

- A scholarship program that provides financial help to new and existing students of D to access the specialized educational and/or therapeutic services that D offers. This scholarship program is directed toward the improvement and enhancement of the literary skills of the grantee.
- A teaching grant program for K-12 teachers who wish to pursue, or who are pursuing, a career in special

education. This program is directed toward the improvement of the quality and increase in the quantity of special educational teachers in E and its surrounding areas by providing supplemental income and improving the teaching skills and experience of special education teachers in such areas.

Under both programs, the number of grants annually will be subject to change from year to year and you have not set a quota number of grants to be awarded. You anticipate awarding in the range of F grants in the range of y dollars.

All grants made by you will be on the basis of criteria reasonably related to the purposes of the grant and any grants will be awarded on an objective and nondiscriminatory basis.

Information Specific to the Scholarship Program

For the scholarship program, the eligible applicants are special needs students with disabilities, including mental, educational, and physical disabilities, who are currently attending or who wish to attend D. Applicants will be solicited through your website and social media pages and through the distribution of flyers to D.

To apply, applicants are required to submit academic records; a statement describing their disability, if any; a statement of their educational plans and goals; and a statement of their financial need.

Selection of individual grantees will be made by a selection committee comprised of your board of directors who will conduct a preliminary screening of all candidates. The candidate pool will then be narrowed, and the remaining candidates will then meet with the board of directors. After such meetings, the final selection will be made. Neither your employees nor “disqualified persons” are eligible for grants, and your board of directors making the selection will not be in a position where they would derive a direct or indirect private benefit if particular potential recipients are chosen over others.

The selection criteria used will include the review of the severity of the student’s disability, the student’s academic record, the financial need of the student, and/or other recommendations. You will determine the merit of need in two ways: first, the child has an official diagnosis meeting the criteria for special needs; and second, due to the family’s financial situation, the grant is needed for the child to obtain such educational and/or therapeutic services. To determine financial need you will consider, but not be limited to annual household income, current employment status of the parent(s) or guardian(s), number of other children in the household, and other financial requirements of the family, which would prevent the special needs child from receiving educational and/or therapeutic services due to financial difficulties.

Scholarship grantees are expected to attend D. You will arrange to receive a report of their enrollment in D, courses taken (if any) and grades received (if any) in each academic period. Such a report must be verified by D and will be obtained at least once a year. Upon completion of their study at D for which the grant applies, a final report will be obtained.

Information Specific to the Teaching Grant Program

For the teaching grant program, the eligible applicants include licensed special needs teachers, or college students pursuing a degree in special education teaching. Applicants will be solicited through your website and social media pages and through the distribution of flyers to D, colleges, and universities.

Applicants will be required to submit a resume, including work history and academic records; a detailed statement of their special education training; a statement of their plans and commitments to special education; an optional statement of their financial need; and letters of reference (which include recommendations from

instructors or employers).

Selection of grantees will be made by a selection committee consisting of your board of directors. The selection criteria used will be based on criteria reasonably related to the purposes of the grant including financial need, graduation from an accredited high school, grade point average, demonstration of strength of character or initiative in overcoming obstacles and hardships, acceptance at an accredited college or university, and/or recommendations. Although a definitive geographical range has not been set for teacher applicants, stronger consideration would be given to special education teachers in the E _____ Area and additionally teachers at D, as these would be related to the purposes of the teaching grant.

Your board of directors will conduct a preliminary screening of all applicants to narrow the number of candidates. They will meet with the remaining candidates and after the meetings, the final selection will be made. Neither your employees nor “disqualified persons” are eligible for grants, and your board making the selection will not be in a position where they would derive a direct or indirect private benefit if particular potential recipients are chosen over others.

These grantees are expected to pursue a career in special education, or other specialized field consistent with your charitable purposes. A teacher must continue to teach for at least one (1) full school year after receiving a grant. Further, the college student would be required to perform volunteer hours at a special education school approved by you. You will arrange to receive a report of the grantee’s employment or volunteer hours as a special education teacher or volunteer at an educational institution. Such report will be verified by the educational institution employer and will be obtained at least once a year. Upon completion of the school year for which the grant applies, a final report will be obtained from the grantee.

Information for both the Scholarship Program and the Teaching Grant Program

The terms and conditions of each grant to an individual, including the specific purpose of the grant, its duration, the total amount of the grant and requirements for narrative reports, and due dates for such reports, are contained in a letter sent to each recipient of such a grant. The recipient is required to communicate their acceptance thereof by a letter in writing to you.

You intend the grants under each program to be for one-time only and non-renewable. However, if there are extraordinary circumstances, more than one grant may be awarded to an individual. It is stipulated that a renewal of the grant for any succeeding period is contingent upon you not receiving any information indicating that the grant was used for a purpose other than the purpose for which it was made, all reports due with respect to the original grant have been furnished at the time of the renewal decision, and the criteria and procedures for renewal are objective and nondiscriminatory. If you decide to extend the time period over which a grant will be paid, the extension itself will not be regarded either as a grant or a grant renewal.

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 174(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