



Department of the Treasury Internal  
Revenue Service  
Tax Exempt and Government Entities  
P.O. Box 2508  
Cincinnati, OH 4520

Date:  
12/04/2023  
Taxpayer ID number:  
  
Person to contact:

Release Number: 202409022  
Release Date: 3/1/2024

#### LEGEND

UIL: 4945.04.04

B = Program Name  
C = Program Name  
D = Number Range  
E = Number Range  
F = Program Name  
y dollars = dollar range  
z dollars = dollar range

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 two grant programs called Program B and Program C. Both programs will further your exempt purpose by promoting environmental conservation and sustainability.

Program B:

Program B is a year-long program, like a fellowship, that will support passionate, young leaders who are vital agents of change and innovators of solutions for the planet. It will help support and develop young environmental champions by helping recipients to learn, experiment, and grow as leaders to advance their positive impact on the planet now and for decades to come.

You plan to award between D grants each year in the amount of y dollars. Grants will be awarded one time and are not renewable. Grants will be based on the size and scope of the recipient's particular project and financial need based on the cost of living in the recipient's particular geographic locale.

You will publicize the grants on your website and through climate, environmental, and grassroots organizations who collaborate with you. Eligibility is limited to individuals who are roughly between the ages of        and        . Interested and eligible individuals will complete applications to apply for your grants. Your application will contain sections for personal information, a resume, personal journey, project details and scope, and wrap up questions.

Your selection process is heavily weighted towards the characteristics of servant leadership, passion, business acumen, learning mindset, and diversity. Moreover, you will also consider design/feasibility, impact, systems change, locality, and equity-mindedness. The selection committee will consist of an independent panel of individuals and judges. Their decision will be made on an objective and non-discriminatory basis.

#### Program C:

You aim to provide students who participate in your F with an opportunity to pitch an idea, concept, or project developed during their participation in F to potentially continue their work.

You plan to award between E grants each year in the amount of z dollars. Grants will be awarded one time and are not renewable. You will publicize the grants through your website and by direct communication to the teachers, facilitators, and schools who are enrolled/participate in your F

Your program is open to all students participating in your F. Participants may apply individually or as a team. Interested and eligible individuals/teams will submit pitch videos to apply for your grants. The pitch videos will be ideas, concepts, or projects in the areas of environmental justice, direct harm reduction to the climate, changing human behavior, and messaging.

Your selection process will be evaluated by scoring the categories of community engagement, impact (realized or potential), novel/creative idea, and presentation with each category being scored between 1 (being the lowest) and 4 (being the highest). The best overall scores will be selected. In the event of a tie, preference is given to the highest scores in the categories of community engagement and impact (realized or potential). The selection committee will consist of an independent panel of individuals and judges. Their decision will be made on an objective and non-discriminatory basis.

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