



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:

09/12/2025

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202549018

Release Date: 12/05/2025

LEGEND

B = Program

C = State

D = Number

E = Number

F = Number

G = Region

y dollars = 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 the B, a fellowship program under IRC Section 4945(g)(3). The purpose of the fellowship is to enhance the artistic capacity, skill, and talent of the grantee. Your fellowship is intended to honor outstanding C artists whose life-long careers have sustained excellence and significantly impacted the artistic community of C.

You plan to award one grant every D years. Your grantee will receive y dollars to be used to enhance the artistic capacity, skill, and talent of the grantee, enabling them to make new work and attend to professional needs. Your grant provides funding for a grant period of up to two years, is not renewable, and may be increased to account for inflation. Your grant funds may be expended for the purchase of materials, production costs of

artwork, storage or inventory of existing artwork, and living, travel, legal, and other costs to enable grantee's exploration, conceptualization, and creation of new work and the protection and legacy of grantee's existing work.

Your fellowship program is publicized on your website, on your social media pages and by sharing information about the fellowship with C art organizations.

To be eligible for a fellowship grant, the applicant must:

- Be a practicing visual artist producing works of art in the fields of contemporary fine art and craft.
- Be a full-time resident of the state of C for at least E years.
- Maintain C residency during the grant period
- Have E or more years of active, professional participation in their medium.
- Not be enrolled in a degree-seeking program, either full-time or part-time, at the time of the committee review, nor during the grant period.
- Grantee must not have previously been awarded the Fellowship.

Your selection criteria include:

- **Quality of Their Work:** Grantee must be recognized for excellence by regional peers, historians, and curators as evidenced by honors and awards, community leadership positions, critical reviews, and exhibition history.
- **Engagement with the Community:** Grantee must inspire and elevate peers, students, and/or audiences as a teacher, mentor, organizational leader.
- **Impact of the fellowship:** Grantee must be deeply engaged with the C visual arts ecology, including attending exhibitions and supporting their peers. .

Your selection committee shall be comprised of arts professionals with roots in the C and G arts communities; selection committee members may include peer artists, past recipients of your grant and fellowship opportunities, art curators, and other professionals representing a range of expertise. Members of the selection committee will nominate individuals for consideration through a confidential nomination process. Your selection committee will apply eligibility and selection criteria to select an individual to receive the grant. You will contact the selected individual to ensure the individual selected meets the eligibility criteria and agrees to the terms and conditions of the grant. If the selected recipient does not meet the eligibility criteria or does not agree to the conditions of the fellowship, the selection committee will select another recipient following the same selection process.

Grantees must agree to 1) either be available for a mid-year studio visit or provide a mid-year report and 2) provide a final report. The reports are expected to describe how grant funds were expended, and the impact of the funds.

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