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

Date:
05/07/2026
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202631015
Release Date: 7/31/26

UIL: 4945.04-04

LEGEND
B = Fund
C = Range
d dollars = Dollar Range
E = State
F = 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 a grant program from an internal fund called B to provide financial support to artists across artistic disciplines, enabling creative development, project completion, and artistic innovation within each artist's community. You intend to make C grants annually based on your annual grantmaking and program budgets set by your Board of Directors. Grants will range from d dollars. The grant opportunity will appear in (1) announcements to your other grantees and community partners and (2) promotions of the grant program at community and nonprofit events that your staff and Board of Directors attend.

Your program is committed to unbiased selections and will not discriminate on the basis of race, color, religion, national origin, sex, age, disability, pregnancy, marital status, sexual orientation, gender, veteran status, or any other characteristic protected by applicable federal, state, or local laws. You may impose other restrictions from time to time, such as geographic limitations.

Applicants must be a working artist in visual, performing, literary, film, music, or interdisciplinary arts with a demonstrated commitment to artistic practice, and a clear project vision and timeline for their work. Eligible candidates will:

- Be eighteen years of age or older,
- Be residents of the United States, with special consideration given to E residents,
- Have completed at least three years of professional artistic practice, and
- Will demonstrate ongoing artistic activity through portfolio, exhibitions, performances, or publications.

You will take into account a variety of voices in the arts. The specific disciplines for which individuals are eligible to apply for are:

- Visual arts (painting, sculpture, photography, digital media, etc.),
- Performing arts (theater, dance, music, etc.),
- Literary arts (poetry, fiction, creative nonfiction, etc.),
- Media arts (film, video, audio, etc.), and
- Multidisciplinary and experimental work.

Applicants must submit an application including an artist statement, current resume, examples of recent work appropriate to their discipline, professional references, and letters of support from community organization.

Your objective will be to identify individuals who demonstrate the most potential to succeed as working artists. Each application will be reviewed by your Selection Committee with oversight from your Board of Directors and evaluated based on the following criteria:

- Artistic Merit –
    - Quality and originality of artistic work
    - Technical skills and creative vision
    - Consistency of artistic development
- Community Impact –
    - Potential benefit to local arts community
    - History of sharing work with public
- Professional Development –
    - How grant will advance artist's career
    - Plans for leveraging grant for future opportunities
    - Commitment to continued artistic growth

The selection committee will include F members representing art expertise and art sector perspectives including community knowledge and engagement experience, art business and economic development expertise, and your staff and Board of Directors representation. All members of the selection committee will be individuals who are directly engaged in the areas that the grants cover and those who have insight into the Fund's charitable activities in furtherance of its mission.

Your grants will be issued on a one-time basis. Grantees seeking an additional grant would need to reapply in order to be considered for additional future funds. All grantees would be asked to sign a grant agreement prior to receiving their funds. Grant funds may not be used for personal expenses unrelated to art, debt repayment or refinancing, real estate purchases, speculative investments, political activities, or lobbying.

Grantee reports will be collected through your online grants management system. At the end of each grant term, reports will be collected and reviewed to ensure funds were used for intended purposes and not diverted. Grantees will be asked to show how funds were spent and attest that no diversion of funding took place.

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.

  Insert if the organization made grants prior to receiving advance approval.
  - The effective date of our approval is   , which is the date your request was submitted.
- 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/make loans] 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