

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201442060**  
Release Date: 10/17/2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: July 22, 2014**

UIL: 4945-04.04

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g) (3). This approval is required because you are a private foundation that is exempt from federal income tax.

**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 Code section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

You will operate a grant program to provide educational fellowships to professionals who will work with a congressional subcommittee on a variety of major policy issues. By working directly with the subcommittee, the fellows will gain a unique insight into the formation and execution of policy. This experience will enable the fellows to work more effectively in the world of international affairs, whether in academia, non-governmental organizations, or government.

You expect to sponsor two fellows for the program each year. The fellow's compensation will vary depending on experience and current salary. All fellows must agree and be able to participate for the duration of the program.

**Eligibility**

A prospective fellow must:

- Demonstrate a working knowledge and strong understanding of current issues,
- Have substantial experience in the committee issues or a graduate degree with a strong academic background,
- Be familiar with the legislative process,

- Reside in the local metropolitan area or be able to relocate to the area for the fellowship, and
- Be a US citizen.

### **Selection Process**

Applicants will be selection based on:

- Academic achievements,
- Superior writing skills,
- Previous professional experience,
- Familiarity with legislative process, and
- The quality of the application and interview.

Preference is given to individuals with expertise in the subcommittee's area of responsibility. Finalists are selected by you in conjunction with the congressional offices where the fellow will work.

### **Oversight**

You will (1) Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) Investigate diversions of funds from their intended purposes, and (3) Take all reasonable and appropriate steps to recover diverted funds, ensure 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 diversions from occurring.

You will maintain all records relating to individual grants including information obtained to evaluate grantees, identify whether 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.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). 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 of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant 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 section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of 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 Regulations 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 covers only 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 precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make 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 must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code 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.

Please keep a copy of this letter in your records.

If you have any questions, please contact the person listed at the top of this letter.

Sincerely,

Tamera Ripperda  
Director, Exempt Organizations