

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

**Department of the Treasury**

**Date:** May 12, 2016

**Employer Identification Number:**

Number: **201632024**  
Release Date: 8/5/2016

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

Q = Event  
R = Grant Program  
S = Grant Program Grant  
T = Grant Program  
V = Grant Program  
W = Organization  
X= Program of W  
Y = Organization  
Z = Name  
Z dollars = Amount

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 plan, organize, and execute programs to educate individuals who are interested in national and international public policy careers. Your letter indicates that you will operate an educational grant program which will provide grants to individuals for fellowships in the national and international public policy industry.

In the past, you have provided donations to the X Program. The X Program is a program of W, a 501(c)(3) organization, which provides fellowship grants to individuals and other related program events. You have collaborated with W to organize national and international public policy programs as part of the X Program. You plan and execute

activities such as tours of federal facilities and educational programs to be included in the X Program. W previously selected and managed the overall grantee application in the X Program. You would like to continue the relationship with W in the X Program but would like to expand your role and exercise control over the grant making and selection process. You may also continue to partner with W to award some grants in coordination with the X Program as a grant sponsor in addition to organizing national and international public policy programs as part of the X Program. In addition, you would like to issue grants independent of the X Program.

The purpose of your grant program is to provide fellowships for individuals who would like improve or enhance their skills in the work force related to national and international public policy. Grantees can use the funds for housing, living, travel or other expenses related to the fellowships. The grantees must commit full-time to the ten week program. The specific amount of the grants will vary from year to year based on the amount of available funds.

You plan to sponsor several grants in the X Program, the S, T, and V. You will plan, organize, and execute these programs for your grantees. The programs may consist of joint programs with W in the X Program. You will also award the Q grant and R that are independent of the X Program. To apply for each grant, applicants must submit an application which includes the applicant's basic information, resume, transcript, GPA, academic awards and honors, graduate exam scores, academic and extracurricular activities, and application essays. In order to apply for the grant, applicants must (a) be enrolled in, have recently graduated from a four-year or graduate degree program or have been released from military service and (b) satisfy the purpose of one the following grants:

- S – Grantee must be honorably discharged from any branch of the U.S. military. You hope to award at least one per year, with additional awards determined by available funds for the semester.
- T – Grantee must be a female interested in serving in national and international public policy in order to better fulfill the role of women in our nation's leadership. You hope to award at least one per year, with additional awards determined by available funds for the semester.
- V Grant – Grantee must have attained the rank of V in the program of the Y. You hope to award at least one per year, with additional awards determined by available funds for the semester.
- Q Grant – Grantee must be interested in serving in the Q and participate in the Q for the term indicated in the grant. You hope to award at least one per year, with additional awards determined by available funds for the semester.
- R – Grantee must be a 1L enrolled in Z law school and be honorably discharged from any branch of the U.S. Military. You hope to award at least two to three per year in the amount of z dollars if funds are available, with additional awards determined by available funds for the semester.

X related grants will be advertised through the X Fellowship website and orally by alumni of X. The other grants will be advertised through the internet and email. You will select the individuals that receive these grants based on merit, a charitable basis, and an objective and nondiscriminatory basis. You will not issue any grants to your creators, officers, directors, trustees, foundation managers, employees, substantial contributors, or members of your selection committee or family of these individuals.

Your selection committee will consist of your Board of Directors and appointees made each fall for an academic year. The selection committee will rank applications into three tiers based on a review of the application materials. The first tier of applicants will be admitted to the grant program and provided the highest amount as determined that semester for fellowship related expenses. The second tier of applicants will be admitted to the program and provided the lower grant amount for fellowship related expenses. The third tier of applicants will be admitted to the grant program seminars and events but will not be given a monetary grant. You plan to issue twenty to thirty grants per semester depending on the amount of funds available each semester. The selection committee may increase the number of grants awarded if additional funding is available. Once the selection committee has made its recommendations the number of grants to be awarded will not be reduced.

You will maintain grant records including information obtained to evaluate grantees, identify grantees in terms of whether the individual is a disqualified person, specify the amount and purpose of each grant, obtain annual reports, conduct investigations and attempt to recover or restore any misused grant funds.

You supervise the grants by obtaining mid-term and final reports from grantees including updates on the grantees' participation in the grant program fellowship placement, seminars, events, and accounting of funds received. You will investigate any misuse of funds and withhold further payments if you do not receive the required reports or if the reports or other information indicate that the grant funds are not being used for their intended purpose.

#### **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.

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

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements