

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

**Department of the Treasury**

Release Date: **201808021**  
Release Date: 2/23/2018  
Date: **November 28, 2017**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Name  
C = Name  
D = Specialty  
E = Name  
F = Name  
G = Name  
H = Nationality  
J = Specialists  
K = Number

x dollars = Amount  
y 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**

Your letter indicates you will operate two grant making programs called B and C. The purpose of B is to enhance the education of D residents in department training programs. Under B, you will pay travel costs for D residents to attend meetings conducted by E. The

purpose of C is to promote research in D and the advancement of D. Under C, you will award fellowships to persons practicing or studying D.

#### Program B

Under B, you plan to award in the range of K grants to help outstanding D residents cover travel expenses to attend the annual meeting of E. Each grant will be equal or less than x dollars. You will solicit candidates for B by sending emails to all D departments' chair persons, resident chairs and resident coordinators who have D residents within the geographical area of E.

You will ask them to select one D resident from each training program. This selection is put in writing and submitted to E to confirm this resident has submitted a paper, the title, and registration to the meeting. The selection committee is composed of E. Members of the selection committee will award grants based on merit, and are required to abstain from consideration of any applicant related in any way to the member of the selection committee. The recipient must submit an accepted paper or poster at the respective educational meeting, and attend the meeting. If the recipient fails to do so, the funding is forfeited.

#### Program C

Under C you will work with F and G to award grants to persons practicing or studying D from H countries to perform research for one year in a laboratory at F in order to promote research in D and the advancement of D medicine. The intent of the award is to prepare the recipients to practice an academic career in their home country with the goal of advancing the specialty of D in their home countries.

Your board will annually determine the number of grants awarded based on the earnings over the prior year. Generally, between one and three fellowships in the approximate amount of y dollars will be awarded.

To be eligible, the applicants must be practicing J professionally, or studying D in a recognized educational institute or hospital setting.

You and G will promote C primarily through G's website as well as solicit grant applications for C through G's website. Applications must include a proposed research project in D, a detailed CV, and professional references.

The applications will be evaluated by a joint committee from F and G who will select the recipients on an objective basis. A strong commitment that the candidates have illustrated to return to their home country and practice an academic career is weighed heavily in the selection process.

You will contact the recipients in writing to notify them of the terms of the award including they will be supervised by F, and subject to all the rules and requirements of F. Recipients are required to submit a full report of their experiences from the period of their

fellowship, and to provide an annual report of their progress, difficulties and how the fellowship helped in the recipient's career for a period of several years.

#### Procedures and Controls for both B and C

Relatives of members of the selection committee, your officers, directors, or substantial contributors are not eligible for your programs. Furthermore, your officers, directors and substantial contributors are not eligible for grants under either of your programs. Relatives of members of the selection committee, and of your officers, directors, or substantial contributors are also not eligible for awards made either of your programs.

You represent that you will review grantee reports annually, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds to ensure funds are used for their intended purposes. You will 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 all grants.

For both B and C if you conduct activities in foreign countries, you will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate license and registration where necessary.

#### **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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements