

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

b dollars = Dollar Amount
c dollars = Dollar Amount
x = Number

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 an educational grant for individuals who are scientists, authors, or researchers for the development of new and original projects that address domestic and international policy, economic and social issues of concern to the modern society.

You will periodically announce one or more specific topics and will accept proposals for grants to produce reports, books, films, video presentations, and other projects.

Your grant program will be publicized on the internet, in publications, and through educational and research institutions.

You will award up to x grants per year, ranging from b dollars to c dollars per grant.

Your general eligibility requirements are the applicants will be authors, scientists or researchers who specialize in one or more areas relevant to the grant topic. Your

specific selection will be based on the applicant's level of achievement in their field, academic credentials, prior publications, feasibility of the proposed project, as well as the following: (i) completeness and quality of the project proposal; (ii) relevance of the proposal to the grant topic; (iii) quality of the analysis of and proposed solutions to the issues involved; and (iv) the ability of the applicant to complete the project within the required budget and time period.

You require a proposal to be accompanied by the applicant's resume and a detailed description of the proposed project, the final product of the project, the relevance of the applicant's qualifications to the project, and the reasons the project will have a meaningful impact on the public discussion of the issues involved.

You will award grants on an objective and nondiscriminatory basis. Your selection committee will consist of your trustees and one or more leading experts in a particular grant topic selected by the trustees. Members of the selection committee will not receive private benefit, directly or indirectly, from the selection of grant recipients. Your trustees, officers, managers, substantial contributors, and their family members will not be eligible to apply for a grant.

Your grant recipient will have to submit a written agreement (i) to use the grant funds solely for the purposes awarded; (ii) to provide you with a detailed quarterly report on the progress of the project, including an account of the grant funds expended as of the date of the relevant report; (iii) to complete the final product of the project within the time prescribed in the grant; (iv) to return the grant funds remaining at the completion of the project to you; and (v) to return all grant funds to you if the project is not completed.

You will (i) enforce each recipient's obligations described above, (ii) arrange to receive grantee reports quarterly and upon completion of the project, (iii) promptly review all reports submitted by the recipients to ensure that the grants are used for the intended purposes, (iv) investigate any diversions of funds from their intended purposes, (v) take all reasonable and appropriate steps to recover diverted funds from the grantee, ensure that any other grant funds held by the grantee are used for their intended purposes, and withhold further payments to the grantee until you obtain the grantee's assurance that future diversions will not occur and that the grantee will take extraordinary precautions to prevent future diversions from occurring.

You will retain indefinitely its records with respect to all individual grant awards, including information obtained to evaluate the grantees, to determine whether a grantee is a "disqualified person" within the meaning of Section 4946 of the Code, to establish the amount and purpose of each grant, and to establish that you undertook the supervision and investigation of grants as described above. The retained records will specifically include the grant proposal and resume for each applicant, as well as the grant agreement and the quarterly progress and final reports submitted by each grant recipient.

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