

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

Department of the Treasury

Release Number: **201840009**
Release Date: 10/5/2018
Date: **July 13, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = State
X = Program

g dollars = \$
y dollars = \$
z dollars = \$

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 that you will operate an educational grant program called X.

Your purpose is to fund three-year fellowships for highly creative and dedicated postdoctoral scientists at not-for-profit research institutions in B to conduct groundbreaking work in the following fields: physical and life sciences, technology, engineering and math. The ultimate goal is for their research to benefit the public by creating new products and services addressing unmet needs. The fellowships will be paid directly to the institutions. X hopes to select up to ten new fellows annually.

The purpose of X is to issue grants to selected research institutions to fund research fellowships to outstanding post-doctoral candidates to pursue their research in the fields

of physical and life sciences, technology, engineering or math at B universities or non-profit research institutions. Fellowships will fund the researchers for a three-year term. The awards paid to the research institutions will support a salary of g dollars first year, y dollars second year, and z dollars third year, plus benefits awarded by the institution. X may pay additional amounts to support specific requirements of the candidates' research such as purchases of research supplies or equipment or travel to conferences or symposia.

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.

You stated:

- The offer of the X has been publicized on your website, advertised in scientific journals, on job posting websites and by notices emailed to senior researchers at B universities and institutions.

- Eligible candidates must be qualified to conduct research in the fields of physical and life sciences, technology, engineering or math. They must be a U.S. citizen or permanent resident (Green Card holder), and upon commencement of the Fellowship must have completed a doctorate from an accredited graduate program.
- X aims to bring highly creative and dedicated postdoctoral scientists to research institutions in B to conduct groundbreaking work in the following fields: physical and life sciences, technology, engineering and math. Your goal is for their research to benefit the public by addressing unmet needs. Awardees will be selected based upon the novelty of their research proposals, expected benefit of successful research, and demonstrated capability to conduct research.
- X expects to award up to 10 new post-doctoral fellowships each year, provided the selection committee identifies sufficient qualifying candidates.
- The amount of the fellowship awards has been determined by surveying post-doctoral programs at B institutions and by reviewing comparable fellowship programs outside B.
- Fellows will be permitted to transfer their fellowships between institutions, or research labs within institutions in B. However, Fellows must demonstrate active engagement in their course of research to continue receiving payments of their fellowship. X must receive confirmation of the Fellow's appointment within an approved discipline (physical and life sciences, technology, engineering or mathematics) before paying the grant.
- X will require confirmation from Principal Investigators at the Fellow's institution that the Fellow is satisfactorily engaged in their research. If this term is not met, X will not continue to pay the grant.
- X Postdoctoral Fellows will be chosen by your selection committee, expert in multiple scientific disciplines and assembling strong research teams. Committee members were nominated by the selection committee chairman and approved by the board at your board meeting. Committee members' terms are not fixed and will be renewed or revised on an annual basis at the chairman's recommendation.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements