

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

c dollars = Amount
d dollars = Amount
e dollars = Amount
f 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 that you will operate an educational grant program. The purpose of the grant is to assist recipients in their efforts to increase their knowledge and understanding of economic and fiscal issues related to your mission.

You intend to award grants to support internships for undergraduate and graduate students and grants to support the research of academic scholars. The goal is to enable students and researchers to increase their knowledge and understanding of long-term economic and fiscal issues.

Grants will generally range from c dollars to d dollars to interns depending on duration of internship and educational level, and e dollars to f dollars to researchers to produce reports or other similar products, depending on the complexity of the research and amount of resources required. The amount of internship grants will be based on the

length of a student's internship and the student's educational level. The amount of research grants will be based on the complexity of a research project.

The programs will be publicized through direct email communication to universities and professors, think tanks, and other organizations that are producers and consumers of research on topics of your interest. The opportunities will also be publicized on your website and social media accounts, the intern alumni group, and through your network of policy researchers and experts. Where appropriate, notifications will be posted in academic journals or other media whose readership might be interested in the grant opportunity.

Students currently enrolled in college or graduate school with interests that intersect with your programs will be eligible for internship awards. Academic scholars and researchers at academic institutions or policy research organizations with expertise and interest in areas that intersect with your mission will be eligible for research scholarship awards.

Selection criteria will include: past performance, published works, quality of proposal, statements of interest, and potential for the award to increase the capacity of the intern or researcher or to enhance knowledge in the field.

All awards will be made on an objective and non-discriminatory basis without regard to race, gender, religion, or sexual orientation. No grants will be made to your officers or employees or their family members. In addition, grants will not be made that are inconsistent with your charitable purposes.

The number of grants will be determined annually and in each instance based on the number of qualified proposals, the available program budget, your staff's capacity, and the capacity of the outside advisors.

In the case of internships, to receive the full amount of the award, recipients will be required to complete the 10-week internship period and provide evidence of participation in internship activities at the host organization. To receive the full amount of the grant award, recipients of research grants will be required to submit draft and final papers. Grants are not renewable.

For research grants, grantees would be required to submit one or more of the following items produced in connection with the grant: periodic narrative reports, semi-annual/annual financial reports, grant work product, and other materials related to their activities (i.e., articles, op-eds, presentations, reports, event and conference materials, manuscripts, etc.). Recipients of research grants may be required to submit drafts of papers and participate in research conferences to discuss their work.

You reserve the right to cancel any grant if you determine that the grantee's performance is unsatisfactory or that the grantee will be unable to complete the project as set forth in their proposal, or that the grantee has otherwise breached a material term of the grant agreement. You will pay recipients directly.

For internships, you will select institutions and scholars to host interns. The institutions will represent a wide cross-section of views on issues related to your mission. Internship applications will be shared with the scholars who will oversee the interns' work at the selected institutions. Each scholar will select their institution's intern, subject to your criteria.

For research grants, the selection committee will be made up of scholars or policy experts outside of your organization who have a demonstrated interest in your mission and vision. Members will be selected to create a diversity of perspectives, relevant expertise, and backgrounds.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the grantee are used for their intended purposes, and (4) 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 represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

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 Regulation 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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements