



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities
P.O. Box 2508
Cincinnati, OH 45201

Number: **202208017**
Release Date: 2/25/2022

Date: **November 30, 2021**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND:

B = program 1

C = program 2

UIL:

4945.04-04

Dear :

You asked for advance approval of your educational grant procedures under Internal Revenue Code (IRC) Section 4945(g)(3).

This approval is required because IRC Section 4945 provides for the imposition of taxes on each taxable expenditure of a private foundation. IRC Section 4945(d)(3) provides that the term "taxable expenditure" includes any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or similar purposes by the individual, unless the grant satisfies the advance approval requirement of IRC Section 4945(g).

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 IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

You currently operate multiple programs (B and C) that have previously received approval of grant-making procedures under IRC Section 4945(g)(1) and 4945(g)(3), including those for graduate and undergraduate students. You intend on expanding the types of grants made under these programs by providing stipends to these scholars for travel and attendance at conferences to aid in their studies and development.

The purpose of the travel stipend program is to provide graduate fellows and undergraduate scholars with stipends to travel in the U.S. and internationally to further their educational studies, acquire new academic experiences, and broaden their appreciation of other cultures through experiencing the history and culture of a

foreign country or community in the United States first-hand. The travel stipend will cover the expenses of the recipient such as transportation, room, board, and any fees needed to visit or participate in locations or events related to the travel's educational purpose. The stipends will be available to participants of your B and C grant programs.

The purpose of the conference stipend is to further the academic and leadership development of participants through attending conferences which will allow them to improve their public speaking and presenting skills, network with other students and professional experts in their chosen fields of study, secure internships, and develop into leaders at their universities and in their communities. The stipends will be available to participants of your B and C grant programs.

Educational advisors and your staff will promote the travel stipend and conference stipend programs to participants in the B and C programs by orally informing them about the program and will solicit applications from participants in those programs. However, you may enter into agreements with independent organizations ("scholarship consultants") to assist you in promoting the stipend programs as part of the B and C programs, contacting undergraduate, graduate, and doctorate programs with relevant information on your existing grant programs and the travel and conference stipends, designing and processing the applications, and evaluating the eligibility of applicants. Any scholarship consultants hired for the above purposes will be independent from you while none of the employees, officers, or directors of the scholarship consultants will be your employees, officers, directors, or disqualified purposes. Any fees paid to the scholarship consultants will be fixed and set in accordance with standard rates for similar consulting and management services provided to other organizations. Scholarship consultants will work directly with you on all major policy and program decisions, but you will be responsible for approving all aspects of program design, promotion, award selection, and allocation of grant funds.

To be eligible for the travel stipend, applicants must have already been accepted into either the B or C program, provide a proposal detailing the planned travel destination(s), and educational purpose of the travel and planned activities. To be eligible for the conference stipend, applicants have already been accepted into either the B or C program and provide a proposal describing the conference of interest and its educational and professional purpose, motivation, and academic achievement. Your founder, creator, officers, board members, staff, and their families are not eligible to receive a travel or conference stipend, nor are any disqualified persons.

As part of the selection process for the travel and conference stipends, you may enlist either an independent selection committee composed of individuals with relevant education expertise or authorize your staff to review and evaluate all eligible application for recommendation of award recipients to your Board of Directors. Any review and evaluation of application will be conducted in an objective and nondiscriminatory basis. Scholarship consultants may identify qualified individuals to serve as panelists on the selection committee of the stipend programs and may provide training sessions for the panelists. Your staff will make the final selection of travel and conference stipend recipients.

The exact number and amount of travel and conference stipends awarded in a given year will depend on a number of factors, including the number, qualifications, and particular needs of the applicants.

All recipients of travel stipends will be required to submit a final report after the end of their travels detailing their accomplishments, the impact of the travel stipend on their academic and professional development, and the use of funds received. Recipients whose travel extends beyond one month will be required to submit a progress report halfway through their planned travel time describing their use of the stipend. Any funds not used by the

recipient must be returned to you.

All recipients of conference stipends will be required to submit a final report after the end of their conference attendance detailing use of the stipend, their accomplishments, the impact of the stipend on their academic and professional development, and the use of the funds received. Any funds not used by the recipient must be returned to you.

You represent that you will complete the following:

- Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- Investigate diversion of funds from their intended purposes,
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other grant funds held by a grantee are used for their intended purposes, and
- 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 diversion from occurring.

You also represent that you will:

- Maintain all records relating to individual grants including information obtained to evaluate grantees,
- Identify a grantee is a disqualified person,
- Establish the amount and purpose of each grant, and
- Establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

IRC Section 4945 imposes excise taxes on the taxable expenditures of private foundations. 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 the following requirements of IRC Section 4945(g) is not a taxable expenditure.

- The foundation awards the grants 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of IRC 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.

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 questions, you can contact the person shown at the top of this letter.

Sincerely,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

cc: