



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

Date: 12/16/2021

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202210026**
 Release Date: 3/11/2022

UIL: 4945.04-04

LEGEND

- X = Name of Program
- b = Number
- c = Number
- d = Number
- g dollars = Amount
- h dollars = Amount
- j dollars = Amount
- y dollars = Amount
- z dollars = Amount

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

Your letter indicates your purposes are to provide grants to academic research institutions to support educational and research activities under the leadership of a specified professor at the institution. The grants will be awarded on a nondiscriminatory and objective basis that constitute a grant for the purpose of achieving a specific objective, producing a report or other similar product, or improving or enhancing a literary, artistic, musical, scientific, teaching or other similar capacity, skill, or talent of the grantee within the meaning of IRC Section 4945(g)(3).

To achieve your charitable purpose, you plan to conduct programs that support and develop individuals' capabilities to address significant global issues. Among other programs, you plan to create the X Program, an annual global competition aimed at supporting recently tenured professors with remarkable track records for innovative research and highly promising futures to pursue ideas far outside their usual problems and methods. An X describes a person of wide-ranging knowledge or learning across fields. The goal of the X Program is to encourage the best "X" scientists to expand their research portfolio by making a substantive interdisciplinary pivot after achieving tenure. Professors typically do not receive additional funding support from their universities when they reach tenure. Given that their departments and students expect them to deliver on their existing research programs, grants from the X Program would allow professors to fund new, divergent or orthogonal research that they would not otherwise have the freedom or flexibility to pursue.

The goal of X Program is to inspire impressive new research that span multiple disciplines and start new domains of study. It aims to create new lines of inquiry that lead to new publications and other results that are shared with the scientific community. The grantees will train a variety of junior researchers to explore research that transcends disciplines and advances discovery, and ultimately creating a growing diaspora of young researchers populating and pushing boundaries themselves.

Each award will consist of up to approximately y dollars, comprised of approximately z dollars per year, plus up to d percent overhead to the institution for control and administration of the grant, for up to b years. The total grant funds used for the X Program is estimated to be approximately g dollars to h dollars per year initially and approximately j dollars per year at program maturity. At maturity, the X Program will make c new grants per year. The exact grant amounts for each grantee may vary according to the nature of the research program and its objectives, geography, future program requirements, and funding availability. In addition, total funds dispersed will vary each year based on the number of grantees participating in the X Program and the location of the grantees.

Grantee Eligibility:

You will conduct a global search for potential grantees who are recently tenured professors at research institutions. You will look for professors who are diverse in location, field, and demographics and who are at an institution with a financial structure where the award would be effective. You plan to create an advisory panel consisting of senior officials at key research institutions to identify individuals to apply to the X Program. You also plan to request nominations from the world's top universities as well as a mixture of additional institutions to promote diversity and maximize the applicant pool.

Grantee Selection:

Each potential grantee is required to submit an application. You will select tenured professors with (a) a remarkable record of accomplishment in area(s) of science and engineering, (b) a demonstrated history of pursuing and publishing results in more than one field, and (c) a need for additional funding to enable experiments and shifts or explorations of new research directions. You will select grantees based on the merits and credentials of the potential grantee, the relationship of the potential grantee's application to your program activities, projects or areas of concern, and the priority in relation to other demands on your funds. Each application must include extensive references and a proposal. The grant proposal must show originality, a major shift in topic and approach, research taste, subject breadth, and leverage of technology. The degree to which a proposal deviates from the potential grantee's existing area of expertise would be a key factor in making funding decisions.

Your selection committee is composed of your representatives as well as scientists from diverse disciplines. The panel will make a conscious effort to select awardees from globally underrepresented regions. The final potential grantees will represent geographic, demographic, and discipline diversity.

Supervision of Grants:

You will require the institution that each grantee is associated with to sign a grant agreement before any funds are disbursed. The agreement will require that the institution to maintain control of the funds and disbursements to ensure it is being used for appropriate charitable purposes and that the funds will be a part of the institution's expenditure rules. If the grantee leaves the institution, you will require the institution to transfer unused funds and assign the grant agreement to the grantee's new research institution or return the funds to you. The grant agreement will also require annual reports on the use of the funds, and the progress made by the institution and the grantee toward achieving the purposes of the grant. If the grant term is longer than one year, the grant agreement will require grantee to make a final report upon completing the research describing the grantee's accomplishments with respect to the grant. The fund will be under the control of the institution at all times to make sure they are used appropriately.

You will conduct an investigation if the annual reports or other information indicate that any or all part of grant funds are not being used for the purposes of the grant. You will withhold further payments during the investigation. If you determine that any part of grant has been used for improper purposes, you will take reasonable and appropriate steps to recover the diverted funds.

You will follow and comply with the rules and regulations issued by the United States Treasury Department Office of Foreign Assets Control (OFAC) when making any grants internationally.

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 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 only covers 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 a precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes to your program to the IRS at:

Internal Revenue Service
Exempt Organizations
Determinations T/E/GE
Stop 31A Team 1C5
P.O. Box 12192
Covington, KY 41012-0192

- You can't award 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 further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with IRC 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'll make this determination letter available for public inspection after deleting personally identifiable information, as required by IRC Section 6110. We've enclosed Letter 437, Notice of Intention to Disclose - Rulings and a copy of the letter that shows our proposed deletions.

- If you disagree with our proposed deletions, follow the instructions in the Letter 437 on how to notify us.
- If you agree with our deletions, you don't need to take any further action.

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