



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

Date: 2/8/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202218029  
Release Date: 5/6/2022

### Legend:

X = more defined area of research

Y = most defined area of research

Z = broad area of research

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

Your letter indicates you will operate a Research Grant program to fund research on the prevention, treatment, and cure of X. You intend to focus on advancement of science and the fight against X, by supporting research relating to health and medicine. You anticipate that you will identify a Y focus area or areas each year for the grants program. You will publicize the grant program via direct outreach, meetings, newsletter/outreach materials, and word of mouth.

Scholars, professionals, academics, and scientists will be eligible for Research Grants under the grant program. Each grant candidate applying for a Research Grant must provide a detailed description of the research, the rationale for the research, the critical need for the research, and a budget.

Selection criteria for Research Grants will include consideration of the following factors:

- An evaluation of the area of Z research and the need for such research;
- A determination of the potential impact of the research;
- A determination that the grant falls into one of the areas of focus of the Foundation; and
- The applicant's credentials, including degrees, experience, publications, references, and affiliations with other research organizations or institutions.

The number of grant recipients selected, and the amount awarded to each recipient will be determined by the Board based on the number of qualified candidates, the resources and time needed for each project, and your budget for the grant program.

You may consider grants of any duration and will evaluate the nature of the proposed objectives within the context of the proposed project time frame for the Research Grants. Each Research Grant is for a single research project. Any renewal grants will be contingent upon the grant recipient meeting the applicable requirements.

Grants will be awarded based on the specific detail of the proposed project, its relevance to your exempt purposes and the purposes of the grants program, and the applicant's prior experience and contributions to the scientific research field.

Eligible individuals will submit their information directly to you. Grant recipient review and selection may be a multi-step process depending on the purpose of the grants. The Board may directly review grant recipient proposals and select the grant recipients based on its review or delegate the initial selection process to a selection body of qualified individuals or qualified Foundation staff. External experts, in areas including those of science and medicine, may be called upon to review and select finalists. Although not required in all cases, following the initial review process, individuals may be interviewed or asked to submit additional information.

All grants will be subject to approval by the Board. Grant recipients may not be related to any member of the Board or any selection committee. Grant recipients may not be "disqualified persons" with respect to you within the meaning of Code Section 4946. Grant recipients furthermore may not be related to any of your officers, directors, or substantial contributors.

You indicated that when making grants to individuals in foreign countries, you will comply with applicable laws for foreign grantmaking, including checking the individuals against the list of Specially Designated Nationals issued by the Office of Foreign Assets Control.

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.

#### **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  
 TE/GE Stop 31A Team 105  
 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'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: