



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

Date: 08/10/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202244033**

Release Date: 11/4/2022

UIL: 4945.04-04

#### LEGEND

X = Program Name

Y = Number

z dollars = Amount

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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 scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of IRC Section 4945(g)(1). As a result, expenditures you make under these procedures won't be taxable.

Additionally, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provided in IRC Section 117(b)).

#### **Description of your request**

Your letter indicates you will operate a grant program called X. The purpose of X is to provide educational grants in the form of scholarships to support dissertation research in for PhD students who attend U.S. based accredited educational institutions. The grants should be used for survey research conducted through any academically recognized survey organizations. You plan to award up to Y grants in the amount of z dollars per cycle. Additional funding will be considered under a limited number of cases and the applications are required to pass higher review standards. You will publicize X on your website and PhD students can apply and submit their proposal through your website.

A proposal must include:

- A proposal summary ( page)
- A thorough description ( pages)
- Biographical sketch ( page)
- Advisor support form ( page)
- Ethics statement ( page)
- An appendix with actual questions, proposed questions, or topics
- approval (if applicable)

Eligible applicants must:

- Be PhD students at the point of initiating or are already conducting dissertation research focused on advancing knowledge and understanding of
- Be enrolled at a doctoral degree granting university accredited in and having a campus located within U.S.
- Have completed all preliminary degree requirements including successfully completed comprehensive examinations and a dissertation prospectus defense
- Be sponsored by their dissertation adviser
- Be endorsed by their graduate institution

You are seeking proposals that break new ground in the hypotheses they investigate, the procedures they employ, or both. Proposals will be considered in the context of their originality and potentially transformative qualities, the organization and pragmatism of the research plan, and value of substantive and methodological diversity in research. Proposals that report trial runs of novel and focal ideas will be weighed more favorably in the selection process.

Grants are not renewable and will be paid directly to educational institutions for recipients who are and remain in good standing with their educational institutions and faculty dissertation advisers. The recipients are required to acknowledge your name in their working papers and publications. If the recipient violates the terms of the grant or discontinues enrollment at the educational institution, grants may be terminated or revoked on a case-by-case basis considering factors deemed appropriate by you.

Recipients will be chosen by a selection committee consisting of your board members and other subject matter experts. Additional members may include political science faculty members or other colleagues at the discretion of your foundation chair. Relatives of members of selection committee, or of your officers, directors, or substantial contributors are not eligible for the awards.

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 the provisions of IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).

**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

- 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.

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

Enclosures:  
Letter 437

cc: