



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

Date:
04/17/2023
Taxpayer ID number:

Person to contact:

Number: **202328022**
Release Date: 7/14/2023

LEGEND

B = Program
C = Number
y dollars = Amount
z dollars = Amount

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 grant program to provide individual grants designed to achieve a specific objective, produce a report or other similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee. The purpose of your grant program is to support individuals working at the intersection of B. You have no expectation that recipients perform any services for you in exchange for the grant.

The number and amount of grants will depend on the quality of applicants and the programmatic priorities of the Board. You estimate awarding C grants annually of amounts between y dollars and z dollars. Your grants will not be renewable.

Eligible applicants include individuals working in the medical, scientific research, academic and other similar

settings who are contributing to science and health in their respective fields. Applicants may be graduate students, academic researchers, clinicians, or other scholars in similar professional roles. You do not intend to apply any limitations on the geographic location of your award applicants.

You publicize your grant program on your public website, via press release, and by sharing the opportunity throughout your professional network of colleagues and current and former grant recipients.

Your selection committee will be comprised of at least two individuals who are appointed by, or are members of, your Board of Directors. Additionally, your Board may select individuals with lived or professional experience that would enable them to evaluate application materials and candidates. The selection committee may include a combination of your representatives and external (community) members.

Your specific criteria to select recipients will include prior scholarship or community achievements and any other qualifications relevant to a program or theme developed by the Board in its discretion. There will be no limitations or restrictions in the selection criteria or procedures based on race, religion, national or ethnic origin, or other illegally discriminatory criteria. All persons who submit proposals or applications of substance will be considered.

In particular, you expect to focus on a theme for awards in a given year. Your criteria includes the applicant's proposed contribution to the field that will be supported by the grant, examination of their credentials and relevant contributions to the field of research, responses to application questions, and reference letters and other similar information to assess the applicant's alignment of the award program.

You may invite grant recipients to an event to celebrate their grant, but no services will be required in any event.

You will distribute the grant directly to the grant recipient. Prior to disbursement of funds, each grant recipient will be required to agree in writing to submit reports to you on a regular basis. You will monitor and evaluate the grantee's use of funds using these reports and you may interview grantees about the progress of their research or studies in order to ensure the funds are used to further exempt purposes and for qualifying distributions. Any apparent misuse of funds will be promptly investigated, and further disbursements, if any, will be held until the completion of any investigation. You will require grantees to immediately return funds that that have been improperly used.

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'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