



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

Date:  
04/24/2023  
Taxpayer ID number:

Person to contact:

Release Number: 202329009  
Release Date: 7/21/2023

#### LEGEND

W = program  
X = company  
Y = number  
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 an exclusive fellowship program known as W in collaboration with X, an IRC Section 501(c)(3) public charity, for emerging scholars who will contribute to financial education research using the open-access database and mapping tool developed by X. Grants will be awarded to participants who successfully complete W.

Grants will be awarded for the specific objectives of 1) supporting early-career scholars in the field of financial well-being research and incentivizing them to participate in a scholarship inquiry related to your mission, and 2) reveal your overall mission to the community and the specific work covered by the grants. Grantees are required to produce a final written or programmed product, such as a report or paper. They will regularly check-in with your and X's staffs to review progress and receive feedback.

You will publicize the availability of W via the Internet or such other means of broad dissemination. X will also

publicize the grants through its website.

Applicants must be college students or recent graduate college degree recipients pursuing a career in financial well-being research and submit an application describing their background and interest in that field.

The selection committee consists of your employees in the grant and research department and employees of X who were involved in the creation of the database. The selection of participating fellows will be made on an objective and nondiscriminatory basis considering the strength of the application short answer responses and the applicant's experience with statistical software. Technical support will be provided to the fellowship participants through a series of workshops to assist them during the fellowship program.

You award Y, z dollars grants annually. The terms and conditions of the grant are set forth in a written agreement signed by the grant recipients. The terms and conditions include the specific objective of the grant, the amount, duration, disbursements, and the requirements for any reports, content and due dates. Grants will be awarded upon the successful completion and participation in W including the preparation and presentation of a final written or programmed product (paper, presentation, report, or web resource). Grantees will have ongoing rights to use the research they develop as well as participate in an event that will feature their works.

Since the successful participation in W is the condition to the disbursement of grants, you ensure that requirements of the written agreement have been fulfilled. Therefore, issues regarding diversions and improper use of grant money are not applicable.

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.

The effective date of our approval is March 23, 2022, which is the date your request was submitted.

- 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