



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities

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10/10/2024  
Taxpayer ID number:

Person to contact:

Release Number: 2025018  
Release Date: 1/3/2025

UIL: 4945.04.04

LEGEND

B= Name  
C= Name  
D= Name  
E= Name  
F= Name  
G =Name  
H=Name  
J= Name  
K=Location  
L= Location  
M= Location  
N= Name

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under 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 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.

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 provide in IRC Section 117(b)).

We also 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 scholarship program under IRC Section 4945(g)(1) and an educational grant program under IRC Section 4945(g)(3).

You operate to create a meaningful, measurable impact on a global community of students who cannot afford or who lack access to learning opportunities that would make a genuine difference in their lives. Through grants awarded to the next generation of global leaders and citizens, you seek to further the principles and priorities of economic freedom, promote reconciliation, demonstrate the power of service, reinforce ethics, and rebuild civility and decency.

### **Scholarship Program under IRC Section 4945(g)(1)**

The purpose of your scholarship program is to provide scholarship or fellowship grants to financially disadvantaged youth currently attending or matriculated primarily from, but not limited to, the following educational institutions: B, C, D, E, F, G, H, and N. The grants would be subject to the provisions of IRC Section 117(a) and are to be used for study at an educational organization described in Section 170(b)(1)(A)(ii) for tuition and related expenses.

The number of scholarship grants made annually will vary based upon several factors, including resources available and the number of applications received. You do not plan to establish a minimum or maximum number of annual grants and you will not necessarily offer scholarship grants every year. The amount of each grant will be driven by the costs as you reasonably determine.

To publicize your scholarship program, you will use various means, including press releases, your website, outreach by and to schools, and direct contact with potential grantees.

Scholarship recipients will be selected by the selection committee based upon objective nondiscriminatory criteria without regard to race, gender, religion, national origin, sexual orientation, or ethnicity. Applications will pose questions, allow for a narrative, and rely on supporting documentation from academic institutions (and may include recommendations, grades, and the FAFSA if applicable).

Recipients will be selected based on scholastic ability and achievement, educational experience, leadership potential, future goals and interests, consistency of the intended study program with your charitable purposes, and character traits indicative of a person who will perpetuate your goals. Recipients will also be selected based on financial need. Financial need may be demonstrated in several objective ways, including family income, as adjusted for family size, short term financial hardship such as unemployment, or eligibility for social support programs. You will rely also upon self-reporting information available through the FAFSA and through the applicants' academic institutions.

Your selection committee will be comprised of your directors, officers, and staff members. No scholarship grant selection committee members will be able to derive a private benefit, directly or indirectly, if certain potential grantees are selected over others. No grant will be made to your substantial contributors, members of your Board of Directors, your officers, other disqualified persons under IRC Section 4946, any member of the applicable selection committee, or any family members of the persons listed in this sentence.

Under your scholarship program, you will generally make payments directly to the applicable institution of higher learning under an agreement whereby the institution will apply the funds only for enrolled students in good standing. For scholarships that include payments to the recipient, you will require the recipient to submit at least annually a report describing the use of the funds, progress made toward achieving the grant purposes, and an accounting for funds spent. Further, you may impose additional requirements.

#### Educational Grant Program under IRC Section 4945(g)(3)

You will operate an educational grant program to award grants to financially disadvantaged youth currently attending or matriculated primarily from, but not limited to, the following educational institutions or programs: B, C, D, E, F, G, H, J, and N. The purpose of the educational grant program is to allow grantees 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. Grant funding is provided to individuals to facilitate participation in quality programming that meets your vision and mission and/or is developed by you. For instance, you develop programming in partnerships with educational institutions to bring people together and to foster connection, even with the most disparate of groups. These programs identify common ground, create shared experiences, and provide space for people to learn, grow, and prosper.

Grant funds may be used for travel, accommodations, and per-diem spending for participants accepted into conferences, seminars, trainings, symposiums, and other similar programs. Such programs include presentations from business leaders, journalists, artists, political leaders, activists, and/or philanthropists. Program locations include K, L, and M as well as college/university campuses (national and internationally) and cities hosting political debates, meetings and/or caucuses.

The number of educational grants made annually will vary based upon several factors, including the value of resources available and the number of applications received. You do not plan to establish a minimum or maximum number of annual grants. You will not necessarily offer educational grants every year. The amount of each grant will be driven by the costs as you reasonably determine.

You will publicize your educational grant programs through various means, including press releases, your website, outreach by and to schools, and direct contact with potential grantees.

Recipients will be selected by the selection committee based upon objective nondiscriminatory criteria without regard to race, gender, religion, national origin, sexual orientation, or ethnicity. Applications will pose questions, allow for a narrative, and rely on supporting documentation from academic institutions (and may include recommendations, grades, and the FAFSA if applicable).

Recipients will be selected based on scholastic ability and achievement, educational experience, leadership potential, future goals and interests, consistency of the intended program with your charitable purposes, and character traits indicative of a person who will perpetuate your goals. Recipients will also be selected based on financial need. Financial need may be demonstrated in several objective ways, including family income, as adjusted for family size, short term financial hardship such as unemployment, or eligibility for social support programs. You will rely also upon self-reporting information available through the FAFSA and through the applicants' academic institutions.

Your selection committee will be comprised of your directors, officers, and staff members. No educational grant selection committee members will be able to derive a private benefit, directly indirectly, if certain potential grantees are selected over others.

Further, no grants will be made to your substantial contributors, members of your Board of Directors, your

officers, other disqualified persons under IRC Section 4946, any member of the applicable selection committee, or any family members of the persons listed in this sentence.

Payments will generally be paid to the recipient. You will require the recipients of the educational grants to submit at least annually a report describing the use of grant funds, progress made toward achieving the grant purposes, and an accounting for funds spent. You may impose additional requirements.

#### Oversight for both programs

If a recipient fails to comply with grant terms, you will investigate and take all necessary steps to recover funds the recipient used for an improper purpose, and the recipient will not be eligible for a renewal grant. You will review the results of any original grant before approving any renewal grant.

If it appears that any scholarship or grant recipient has diverted grant funds for an improper purpose, you will require the recipient to return the grant funds and will withhold further payments. You will not resume grant payments to the recipient until any diverted funds are recovered or restored, you have received the grant recipient's assurances that future diversions will not occur, and the recipient has taken extraordinary precautions to prevent future diversions from occurring.

You will maintain complete records relating to all scholarships and grants, including information obtained to evaluate applicants, the identity of each grantee (including name, address, and your basis for determining that the grantee is not a disqualified person or other ineligible recipient), the amount and purpose of each grant, and all reports and other information related to the supervision, use, and, if applicable, investigation of all grants.

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. You will acquire from OFAC the appropriate license and registration where necessary.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

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