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

IRS

Date:
05/06/2026
Taxpayer ID number:

Person to contact:

Release Number: 202631017
Release Date: 7/31/26

LEGEND
B = prototype
C = number range
D = number range
E = number range
x dollars = dollar range
y dollars = dollar amount
z percent = percentage 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 and organize a competition in which teams of individuals compete to design and build a B and develop an accompanying fundraising, business and marketing plan (the "Contest"). Each team will consist of C individuals and there will be D teams (subject to your success in identifying qualified participants) for each Contest which is designed to teach participants to develop a strong concept while transforming the concept into a functional prototype and business model, with all of the necessary team building required to launch a startup.

Furthermore, the scientific and educational objectives of your Contest are to teach and develop participants' entrepreneurial skills by requiring participants to create a comprehensive business plan aimed at the scaled production and monetization of the concept, improve and enhance participants' in developing financial projections, and teach participants how to navigate and anticipate changing business conditions.

Once the final teams are selected, and each team confirms its participation, you intend to provide appropriate support and funding enabling each team to further the design and technical development of their B and the accompanying business plan. You intend to provide an award to the winning team consisting of a cash grant and continuing educational and advisory opportunities that foster entrepreneurship and innovation for the winning design (collectively, the "Award").

The Award amounts are expected to range from x dollars per team (roughly y dollars per individual participant). Your Board of Directors (the "Board") will have discretion, and the Award may be made in installments, and more than one Award may be awarded during the course of the Contest. Each Contest cycle will last E months. The purpose of your Award is to achieve a specific objective and improve or enhance the financial literacy, scientific, and related capacity, skills and talents of the grantees.

Your Board will appoint the selection committee (the "Jury") to determine the Contest participants and the ultimate Award winner(s). You intend for your Jury to represent the sectors involved in the Contest and are expected to include (i) individuals who represent one or more of the following fields: (1) engineers/scientists; (2) entrepreneurs; (3) private equity; (4) finance; and (5) patent/licensing; and (ii) one or more of your representatives (which may include Board members) to constitute no more than z percent of the total number of your Jury members.

Your Jury intends to publicize the Contest by directly seeking proposals from eligible participants including educational institutions (e.g., universities, community colleges, and high schools) and companies identified by the Jury that promote advanced programs for highly skilled employees.

The eligible Contest participants are expected to be students at universities, community colleges, high schools, and employees of companies identified by your Jury that promote advanced programs for highly skilled workforces. In particular, you intend to encourage participation by graduate students enrolled at universities, community colleges, and high school students who participate in robotics teams or similar programs through their educational institution or otherwise.

To initiate each Contest, your Jury will determine the Contest participants and the ultimate Award winner(s). During the course of the Contest, the teams will compete in the development of working prototypes and a business plan aimed at the scaled production and monetization of the concept. Each team must prepare a presentation and written materials for review by your Jury. The written materials should include specifications for the B. Your Jury will determine the winning team(s) based on a review of the written materials and team presentations and demonstrations.

Your Jury will recommend to the Board for its approval, either at the initiation of any Contest cycle or before an Award is granted, the proposed dollar amount of the cash grant. To guide the selection process, your Jury will draft a request for proposals ("RFP") that you will distribute to the eligible Contest participants. In the operation and implementation of the Contest, you shall not discriminate against any applicant or participant on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation, or national origin.

Your Jury will evaluate the initial RFP submissions to determine the final teams. In deciding the Award winners, your Jury will consider whether a design has merit and whether it could be attractive to investors, considering both scientific and business considerations.

Award amounts distributed in cash are intended to help recruit and motivate participants and are expected to be unrestricted. Each grant recipient will be required to prepare a report describing the objectives achieved, the work produced, and/or any other improvement to the recipient's capacity, skill, or talent in entrepreneurship, and the recipient's use of the funds.

To further their progress, Award recipients must participate in ongoing mentoring as a condition of receiving the Award. You will directly mentor and educate the winning team in furtherance of your exempt purpose. Your representatives, including Board members, officers, and/or employees, are expected to provide guidance and instruction to all participants, and in particular, to the winning team. Moreover, you will require recipients to continue to further the design and technical development of their B and the accompanying business plan.

In the event you learn that an Award has not been used as intended, you will investigate the matter. Corrective action may consist of any action up to and including legal action. During the investigation, further payments of such implicated grant will be withheld.

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, Letter 4792 - Redacted