

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201952010**

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Date: **September 30, 2019**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Condition

Dear \_\_\_\_\_ :

You asked for advance approval of your educational grant procedures under Internal Revenue Code Section 4945(g)(3). This approval is required because you are a private foundation that is exempt from federal income tax.

**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 Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

**Description of your request**

Your letter indicates that you will operate an educational grant program. The grants will be awarded to enable the recipient to engage in study, research, writing, lecturing, attending, and/or speaking at a symposium, or publishing materials in either print or electronic media.

You will provide grants to individuals related to your scientific research initiative regarding B to provide the opportunity to attend workshops, symposia, conferences, or similar activities to enhance their work and/or to allow collaboration between peers, thereby accelerating research into the causes, treatments and prevention of B. As such, the individual grants will be made to further your focus of supporting research related to B.

Grants will be publicized through your network of scientific researchers as well as through university and research centers. Generally, grants will be based upon an individual being exceptionally qualified to carry out the purposes of the grant, such as a qualified research scientist being selected to attend and/or speak at a particular conference or symposium.

You will select qualified scientists and researchers based on their experience and reputation. You do not anticipate using an application process.

To be eligible for a grant, a recipient must be a qualified researcher whose supported activity will achieve a specific objective, or improve or enhance a scientific skill or talent, in each instance to further your focus of research into the causes, treatment, and prevention of B.

Your board will make grants based on applications received, perceived needs, and, as applicable, your desire to encourage attendance at research symposia. Your directors and scientific advisory committee will determine who should be in the pool of potential recipients. The board will then review applicants and make its determination. In certain programs, you will solicit nominations from other researchers with relevant experience. The board will review such nominations to determine whether to make a grant.

Grants are not renewable. Amounts of grants will be based on funding needs, the scope of the activity to be funded, the availability of funds in the annual budget, and the determination of your board.

Grants will be paid directly to or on behalf of the grant recipient. Each grant recipient must agree in writing to use the grant funds to defray the expenses associated with the approved project. With respect to the monitoring of grants, unless you make a payment on behalf of a recipient (such as purchasing a plane ticket to a research symposium), you will require a written report from each grantee at least once a year, unless the project/activity length calls for a shorter interval. This report must include a summary of the use of the funds awarded and how such funds fulfilled grant purposes. You will also require a final report in the event the project is longer than one year.

In those instances where the reports or other information submitted (including the failure to submit reports) indicate that all or any part of a grant is not being used for intended purposes, you will investigate and will withhold further payments to the extent possible until you receive more detailed or delinquent reports.

You will not award any grants to your substantial contributors, officers, or directors, or to members of the family of such person, or to any disqualified person with respect to you, or for a purpose that is inconsistent with the purposes set forth in Section 170(c)(2)(B) of the Code. Each member of the board or committee of the board responsible for determining grant recipients will disclose any personal knowledge of and relationship with any potential grantee under consideration and refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, 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 diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of grants described above.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code Section 4945). 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 of the following requirements of Code 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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of 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 Regulations 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 covers only 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 precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot make grants/loans 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 must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code Section 170(c)(2)(B).
- You should keep adequate records and case histories so that you can substantiate your grant/loan distributions with the IRS if necessary.

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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements