



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

Date: **January 11, 2022**

Number: **202214016**  
Release Date: 4/8/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND:  
X = program

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 X. X will support original research and writing which furthers your core mission. Preference shall be given to proposals in the areas of political science, religion, history, economics, and civilization. X is designed to provide salary support during a sabbatical leave or for summer research. Successful applicants are expected to devote themselves full-time to the proposed project during the period of the grant.

It is primarily expected that candidates will be scholars with advanced degrees in their area of specialization, applying to use the grant to make full-time research and writing possible during a sabbatical leave, or to enable

full-time research and writing during a summer break. While most successful candidates will be employed in academic institutions of higher education, full-time \_\_\_\_\_, public intellectuals, or \_\_\_\_\_ experts may also qualify so long as they have the requisite qualifications and/or experience and are released from their other obligations to be able to work full-time on their project for a minimum of \_\_\_\_\_ months.

Recipients will be selected based upon their professional qualifications, their eligibility for a sabbatical research leave of absence, prior publication history, the affinity of their proposal to your substantive mission, the importance of their subject to that mission, and the likelihood that their work product will make a meaningful contribution to their field or in furthering public understanding.

Funds may be used for salary support and/or for research-specific travel and related expenses directly relevant to the project. Amounts granted shall be based on the equivalent of salary and benefits during the academic year—or salary only during the summer—of the applicant.

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.

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