



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

Date: January 11, 2022

Number: 202214019
Release Date: 4/8/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND

X = Program Name

Y = Name

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 a grant-making program called X.

You were formed to promote wider acquaintance with, and acceptance of, the scientific economic principles of Y and the manner in which such principles can be applied in society for the general welfare and for the promotion of individual liberty. You were also formed to promote the general welfare by using your resources for the educational, artistic, religious, and charitable purposes in recognition of the broad humanism characteristic of Y.

You plan to award grants to achieve a specific objective under IRC Section 4945(g)(3) to scholars, students, professionals, and other individuals affiliated with charitable and academic institutions with specialized skills, experience, or knowledge in areas of your interest. The grants will permit grant recipients to pursue graduate

and professional level coursework and to engage in scholarly research and training. The grants may support, for example, study, research, writing, or collaborations with other scholars. By encouraging these activities, the grant program will invest in the research and development of innovative ideas. The number of grant recipients selected and the amount awarded to each recipient will be determined based on the number of qualified candidates, the resources and time needed for each project and your budget. Information about the grant program may be publicized to the general public or the charitable communities via direct outreach, meetings, newsletter/outreach materials, and word of mouth.

Eligible individuals will be required to apply directly to you. Each applicant will be required to submit a personal resume, a description of the proposed activities, and a description of how the proposed activities further your mission.

Grant recipients may not be “disqualified persons” with respect to you, within the meaning of IRC Section 4946. Grant recipients furthermore may not be related to any of your officers, directors, or substantial contributors, nor resulted in private benefit to any of your officers, directors, or substantial contributors.

Grant recipient review and selection may be a multiple-step process depending on the purpose of the grant, but all grants will be subjected to approval by your Board of Trustees (Board). In some cases, the Board may directly review grant recipient proposals and select the grant recipients based on its review. In other cases, the Board may delegate the initial selection process to your staff members or outside experts, who will review the grant applications and select finalists. Individuals who pass the initial review process may be interviewed or asked to submit additional information.

Grants will be awarded on the basis of the intrinsic interest of the proposed project, its relevance to your exempt purposes, and the candidate’s prior experience and contributions to the field or demonstrated academic achievement. You will strive to provide grants to individuals from diverse geographic and socioeconomic backgrounds. You may consider grants of any duration and will evaluate the nature of the proposed objectives within the context of the proposed project time frame. Grants will be made pursuant to written grant agreements, and grant recipients will be required to provide a written report to you at the end of the grant period, detailing their activities, progress, and what was accomplished.

Selection for the grant program will include consideration of the following factors:

- Academic and professional background relevant to the proposed grant
- Ability to effectively utilize grant funds within a proposed time period (as determined in coordination with you)
- Proven interest and dedication to the purpose of the grant

Grant recipients may be eligible to participate in subsequent grant program depending on proof that they used the original grant in accordance with the terms under which it was made.

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

cc: