



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

Date:  
05/02/2024  
Taxpayer ID number:

Person to contact:

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Release Date: 7/26/2024

**LEGEND**

UIL: 4945.04-04

Program B = Program Name  
Program C = Program Name  
X = Numbers  
y dollars = dollar amounts

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 programs under IRC Section 4945(g)(1) and IRC Section 4945(g)(3). Your programs are designed to further your mission to help people understand themselves better to minimize suffering, increase acceptance of themselves and others, and view trauma and other challenges as opportunity for growth.

#### Program B:

This is your IRC Section 4945(g)(1) program. Program B will focus on providing scholarship grants to K-12, college, and/or graduate students. Scholarship grants will be applied toward a selected student's tuition and related expenses (such as books, supplies, and equipment) for attendance at an educational institution. You expect to pay tuition-related expenses directly to the educational institution. You expect to provide scholarship grants ranging from y dollars. You expect to award X scholarship grants annually, although the number of scholarship grants may grow over time.

It is expected that any individual will be eligible to apply for the scholarship grants, although you expect to provide the majority to individuals within the United States. If foreign individuals apply, you will establish processes so that you will not award scholarship grants to: (i) individuals whose names appear on the list of "Specially Designated Nationals" issued by the U.S. Department of the Treasury's Office of Foreign Assets Control, (ii) individuals whose affiliated institution appears on the U.S. Department of State's "Terrorist Exclusion List," or (iii) individuals or affiliated institutions that directly or indirectly support terrorism.

You will publicize the Program B through various means such as direct mail, e-mail, word of mouth communications to educational institutions, and through other charitable organizations. You plan to require applicants to submit the following information:

- biographical data
- transcripts of relevant scholastic records
- documentation from the educational institution indicating the individual is enrolled or has been admitted to the educational institution
- information demonstrating the financial need of the individual
- recommendations from teachers and others
- educational attainment of the applicant's parents (whether, for example, the applicant is a first-generation college attendee)
- a statement of career plans, letters of reference, and writing sample
- any other materials or information deemed relevant to the particular circumstances

You will establish a selection committee to evaluate applications and make selections for the program. You anticipate that the selection committee would include representatives from your board of directors, officers, and staff (though outside individuals with experience in the field of education also may be invited to participate). The selection criteria for scholarship grant recipients is based on the information submitted by applicants as described above.

You have yet to determine whether scholarship grants will be renewable, however individuals who have received scholarship grants may be eligible to apply for future opportunities. Renewal applicants will be required to provide updates to their original application for evaluation.

#### Program C:

This is your IRC Section 4945(g)(3) program. You expect to provide grants to individuals to help improve or enhance a literary, artistic, scientific, teaching, or other similar capacity, skill, or talent of the grantee, including, for example, providing grants to scholars/researchers at institutions of higher education to investigate the neuroscience that supports your exempt purposes. For example, you may award grants to individuals with innovative ideas to conduct research on issues that make the world a better place. You expect to provide grants ranging from y dollars. You expect to award X grants annually, although the number may grow over time.

The grants relate to neuroscience and related fields, including psychology, psychiatry, nursing, medicine, and

neurocognition. Therefore, students, faculty, and scholars pursuing these fields at colleges, universities, medical institutions, and similar organizations will comprise the pool of eligible applications. The program will not be limited by geography, though you expect to provide the majority of such awards to individuals within the United States. If foreign individuals apply, you will establish processes so that you will not award grants to: (i) individuals whose names appear on the list of "Specially Designated Nationals" issued by the U.S. Department of the Treasury's Office of Foreign Assets Control, (ii) individuals whose affiliated institution appears on the U. S. Department of State's "Terrorist Exclusion List," or (iii) individuals or affiliated institutions that directly or indirectly support terrorism.

As the grant program covers a variety of fields of study, tens of thousands or more individuals would be eligible for awards. You will publicize the Program C through various means such as direct mail, e-mail, web-based announcements, and your promotional efforts. You expect to consider the following criteria in selection of recipients:

- biographical information, including a report on academic and professional experience
- educational attainment of the applicant's parents (whether, for example, the applicant is a first-generation college attendee)
- the demonstrated intellectual promise or commitment to community service of the applicant, or the applicant's aptitude, motivation, character, or potential for scholastic or career achievement
- current course of study or degree awarded
- a statement of career plans, letters of reference, and lists of publications or examples of their writings
- recommendations from professors, scholars, mentors, and others
- interests in and other information intended to permit you to determine the applicant's overall potential for advancing and promoting the particular subject, skill, etc., to be gained and how such activities advance your mission
- any other materials or information deemed relevant to the particular circumstances

You will establish a selection committee to evaluate applications and make selections for the program. The selection committee will be composed of individuals who possess knowledge, experience, and expertise in the relevant fields related to your exempt purposes. Members of the selection committee will be selected based on their qualifications, reputation, and ability to exercise proper judgment. The selection criteria for grant recipients is based on the information submitted by applicants as described above.

You have yet to determine whether grants will be renewable, however individuals who have received grants may be eligible to apply for future opportunities. Renewal applicants will be required to provide updates to their original application for evaluation.

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.

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