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

Date:
03/06/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202523017
Release Date: 6/6/2025

LEGEND
B = Program
c dollars = Dollar
D = Topic
E = Number Range
F = Geographic Area
G = Month
H = Number
J = Number

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 fellowship program called B. This program provides opportunities for qualified individuals from outside the United States to study dispute resolution processes and practices in the United States to assist them in their efforts to advance the resolution of disputes in their home countries.

You will approve fellowships of up to c dollars in support of projects outlined by the fellowship applicants. The fellowship is intended for individuals who have demonstrated experience with and commitment to the field of D and who seek to increase the availability of dispute resolution education, training and services in their own countries and beyond. The fellowship is designed to be flexible and open to innovation, and applicants are encouraged to be creative in pursuing activities in the United States that will serve to expand the use of D in their home countries. Fellowships may last from E months in duration. The fellowship is advertised on your website.

Applications for the fellowship must meet the following criteria:
(1) Applicants may not be citizens of the United States
(2) Applicant must be fluent in English
(3) Proposed fellowship must be E months in duration
(4) Fellowship funding may only be used to support fellowship activities in the United States and is not available for in-country projects
(5) The fellowship must be aimed toward the applicant learning D techniques that they can then use to increase the availability of dispute resolution education, training, and services in their own countries and beyond

Once the applicants meet the minimum qualifications above the candidates will be selected by your review committee based on the following preferences:
(1) Preference for proposals that would help establish viable dispute resolution systems or change how disputes are resolved
(2) Preference for applicants with experience as judges, lawyers, law professors, court administrators, government officers, or D practitioners
(3) Preference for applicants able to commence their fellowship with the annual gathering of fellows in the F area in early G of their fellowship year

Your board of directors determines who is on the review committee. Currently there are H members. The review committee consist of your board members, staff, and senior management who express interest in participating in the committee and are then approved at quarterly board meetings.

The fellowship is intended for individuals who have experience with and commitment to the field of D and who seek to increase the availability of dispute resolution education, training, and services in their own countries and beyond. Fellows are also required to attend a week-long gathering of all fellows in their cohort in the F area in early G of their fellowship year. The fellowships are not eligible for renewal.

Reports are made to you during the fellowship to determine whether grantees have performed the activities the grants are intended to fund. The program coordinator works closely with all program fellows and monitors their activities that have been performed to determine when and what portion of the funds should be released. The funds are typically released in J payments based on the different stages of the program and events. If there is a specific outside school program that has been approved, the portion of the grant payment is made directly to the school.

The program coordinator, your director, and your board provide oversight of the fellowship. You investigate and take corrective action when progress reports are not provided or there are other indications that grants are not being used as intended. In the event the terms of the award are violated, any remaining funds under the program would not be issued. Reports are made to you at least once a year to determine whether grantees have performed the activities the grants are intended to finance.

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