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

Date:
05/08/2025
Taxpayer ID number:

Person to contact:

Release Number: 202531019
Release Date: 8/1/2025

LEGEND
B = Country
C = Number
x dollars = dollar range

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 program under IRC Section 4945(g)(3). The purpose of your grant program is to foster research on ideas or topics related to long-term B national security, enhance the analytical skills of persons interested in national security, and produce written reports detailing research findings or activities for sharing with others interested in national security. The grants are for travel, study, or other similar purposes. The grants will support your mission by fostering analytical approaches to strategic security questions facing B, which in turn contributes to important debates surrounding serious public policy challenges.

You will invite grant proposals on a rolling basis. The invitation will be posted to your website and advertised via email campaigns and/or social media platforms. The grants will be between x dollars per calendar year. You may choose not to award any grants in a given calendar year or may award up to C for each calendar year. The grantees may have the opportunity to have their final report published by you and/or present their work to leading scholars and practitioners in the national security field and beyond.

Staff members and their immediate families will be considered disqualified persons and will be ineligible to receive a grant. If an applicant is from a foreign country, you will perform an additional pre-grant analysis of the legitimacy of the applicant. Furthermore, you will comply with all United States statutes, executive orders and regulations that restrict or prohibit U.S. persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by the Office of Foreign Assets Control (OFAC).

Applications will be evaluated on an objective and non-discriminatory basis without regard to race, color, national origin, disability, or age. Selection criteria includes:

- Originality
- Relevance and significance of the topic to long-term national security
- Feasibility
- Quality of past work

Applications that propose new methods of analysis, incorporate perspective from fields not traditionally associated with national security studies, and/or introduce new data or interpretations of data are especially welcome. Those that employ common interpretations of widely known case studies and submissions that advocate for policy positions, specific legislation, or political candidates will not be accepted. Grants are non-renewable, however, grantees may reapply. Each grantee is limited to one grant per calendar year.

To maintain the grant, the grantee must sign a written agreement to:

- Repay any amount not used for the purpose of the grant
- Submit full and complete progress reports on how the funds are spent and the process made in accomplishing the grant's goal
- Provide receipts and records of expenses
- Not use any of the funds to influence legislation, to influence the outcome of elections, to carry on voter registration drives, to make grants to individuals or other organizations, and to undertake any non-exempt activity, when such use of the funds would be a taxable expenditure if made directly by you
- Provide a final product by the end of the grant term that describes the grantee's accomplishments towards the purpose for which the grant was made

You will form one selection panel per calendar year or multiple ad hoc selection panels throughout the calendar year, depending on the number and subject matter of the applications received. The selection panel will include at least three people, including at least one of your officers or staff and one subject matter expert. Your panel will not receive a private benefit, directly or indirectly, if certain grantees are selected over others.

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.

  The effective date of our approval is , which is the date your request was submitted.
- 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, Letter 4792