SIN: 4945.00-00

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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Date: MAR 15 2001

Contact Person:
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Employer Identification Number:

Legend:
B=
C=
x=

Dear Sir or Madam:

This is in reference to your letter of December 7, 2000, requesting a ruling that your grants to individuals are not taxable expenditures within the meaning of section 4945 of the Internal Revenue Code.

You are exempt under section 501(c)(3) of the Code and have been classified as a private foundation within the meaning of section 509(a).

Your stated purpose is to assist research in the field of chemistry that will produce new and useful discoveries and inventions, all of which shall be made available to mankind.

In furtherance of your purpose, you propose to make an annual award, when warranted, to a young scientist in recognition of his or her past research endeavors in the field of chemistry. The award will be entitled B.

Under your guidelines, any C college or university may nominate one candidate for the award for any given year. Nominations must normally be submitted in the form of a letter from the institution where the nominated individual is a faculty member and should include: (i) a brief statement of the basis for the nomination, including 3-5 copies of the nominee's most important research publications and (ii) three supporting letters from individuals in the nominee's field (at least two of which come from persons at institutions other than the nominating institution). To be eligible for the award, a candidate (i) must be 40 years of age or younger on December 31of the year in which nominated and (ii) should have spent the most recent five years doing chemical research in C. Your directors, officers and members of your Scientific Advisory Board are not eligible to receive the award and no individual may nominate herself or himself for the award.

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Your guidelines provide that your Scientific Advisory Board will review all nominations that are received by you prior to the established deadline for a specific award year and that meet the nomination conditions described above. The Scientific Advisory Board will then consider all nominations based on their merit and will recommend to your Board of Directors not more than three nominees. The Board of Directors will make the final decision. All recommendations and selections will be based on objective and nondiscriminatory criteria that are reasonably related to the purposes of the award. The current monetary amount of the award is x, but this amount may be increased or decreased from time to time by action of your Board of Directors.

You have represented that the award is not intended to finance any further activities of the recipient nor is the recipient required to render any future services as a condition of receiving the award.

Section 4945 of the Code provides for the imposition of taxes on each taxable expenditure of a private foundation.

Section 4945(d)(3) of the Code 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 such individual, unless such grant satisfies the advance approval requirements of section 4945(g).

Rev. Rul. 77-380, 1977-2 C.B. 419, holds that grants made by a private foundation primarily in recognition of past achievement, with the funds being unrestricted, and not earmarked for subsequent travel or study are not taxable expenditures within the meaning of section 4945(d)(3).

Your awards are for past achievement and are not intended to finance any future activity of the recipient. As was the case in Rev. Rul. 77-380, there are no conditions or requirements to meet subsequent to receiving an award. Thus, the awards are not grants to individuals for travel, study or similar purposes within the meaning of section 4945(d)(3). Advance approval under section 4945(g) is not required.

Based on the above, we rule that your grants are not taxable expenditures within the meaning of section 4945 of the Code.

We are informing the Ohio TE/GE office of this action. Please keep a copy of this ruling with your organization's permanent records.

This ruling is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

If you have any questions about this ruling, please contact the person whose name and telephone number are shown in the heading of this letter.

Sincerely,

Gerald V. Sack

Gerald V. Sack
Manager, Exempt Organizations
Technical Group 4

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