



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

Date:
02/12/2024
Taxpayer ID number:

Person to contact:

Release Number: 202419030
Release Date: 5/10/2024

LEGEND

W = organization
X = date

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1). You requested approval of your scholarship program to fund the education of certain qualifying students.

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.

Additionally, 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 provided in IRC Section 117(b)).

Description of your request

Your letter indicates you will operate a grant-making program which would be described in IRC Section 4945(g)(1) as scholarships or fellowship grants to individuals for study at an educational institution. You will offer scholarships to individuals who have a letter of acceptance or evidence of good academic standing from an accredited two or four-year college or university, a technical school, or an accredited graduate school. These individuals must be one of the following: (1) dues paying member of the current/former W; (2) retired member of the current/former W or (3) qualifying relative of such W member or retiree. The scholarship will be awarded on an annual basis, and will be publicized through your website and information sent to current/former and retired members of W.

Applicants already attending an institute of higher learning must submit a letter or other evidence of good academic standing from an accredited two or four-year college or university, a technical school, or an accredited graduate school that the applicant is attending. A school transcript or other equivalent school report can serve as the letter of good academic standing because schools have criteria as to what level of performance is needed to avoid being placed on academic probation. Generally, this level of performance is measured by a student's grade point average ("GPA") in conjunction with credits taken (cannot take too many or too few classes with their associated credits). Since the student must have a certain minimum GPA to avoid academic probation, a minimum GPA often is sufficient to determine that a student is in good academic standing.

Individuals who receive a scholarship will receive a letter stating funds may only be used for tuition and fees. Funds will be paid directly to the school to which the individual will be attending.

Your governing body will announce when the application process is open, the date that the application process will close, and when the winners will be announced. Each year, at or prior to the announcement of application due dates for that calendar year, your governing body will designate the total amount of money available, if any, for scholarships. Your governing body holds sole discretion to change the amount and/or terms of a scholarship prior to or at the time of granting the scholarship. Any and all terms and conditions of the scholarship can be changed by the governing body at any time.

Your governing body will decide awards, based on merit, made under this program. However, governing body members are excluded from applying for grants.

Recipients will be selected from the eligible applicant pool by a random lottery selection process. If the number of applicants total less than the full amount of scholarship monies available for that year, the governing body may choose to select all applicants. Recipients will be approved by your governing body on a case-by-case basis. Individuals may re-apply for a scholarship regardless of whether they were previously awarded one, provided the requirements to receive a scholarship are met and continue to be met. There will be no automatic renewals and scholarships will not constitute a contract between you and any recipient and/or applicant.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate for potential diversions of funds from the intended purposes, and (3) take all reasonable and appropriate steps to recover any diverted funds. You will also 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees (including information related to verifying the grantee is not a disqualified person) and establish the amount and purpose of each grant. Further, you will establish that you undertook diligent supervision and investigation of grants.

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 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).

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 X, 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