



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

Date: **September 14, 2021**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202149026**
Release Date: 12/10/2021

UIL: 4945.04-04

LEGEND

M= Name

N = Numbers

x dollars = Amount

y dollars= Amount

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).

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 Our determination of your request

Your letter indicates you will operate a scholarship program called M. The purpose of M is to assist children in your local community who show a financial need that prevents them from receiving an education and attaining their goals. Specifically, through M, you will provide financial assistance on a nondiscriminatory and objective basis to young people from primary school through college who have a desire to attend school, but due to family

issues such as illness or financial problems or other hardships, would not be able to attend. You will work with local schools to promote M as well as to seek out students from these schools, who have demonstrated the desire to learn and have shown progress as well as are relatively free of disciplinary issues.

Under M, you plan to award in the range of N grants per year. The amount of each grant will be based on the need of the recipient and will be in the range of x dollars for an annual grant budget of y dollars.

To be eligible for M, the student must be able to show some or all of the following:

- Some type of financial hardship in their family that prevents them from attending the school of their choice
- Some type of _____ or _____ that makes learning and surviving difficult
- Family disruption due to loss of income, loss of work, illness or injury, etc.

To apply for M, the student must submit a completed application including but not limited to the following:

- The name of the school they have applied to
- Current grade point average
- Hardship details including any information regarding _____ problems
- History of disciplinary problems
- Their future goals and dreams

All applications will be reviewed by a Selection Committee consisting of your board members who will choose the recipients based on hardship, financial need and family circumstances. Further, all Selection Committee members must unanimously agree with each selection. Relatives of members of the Selection Committee are not eligible for awards under your program. Funds will be sent directly to the school or college with the agreement from the institution to use the funds if the recipient is in good standing. The institution will provide regular updates concerning the progress of each recipient.

You will maintain case histories showing recipients of your grants, including names, addresses, purpose of awards, amount of each grant, manner of selection, and relationship, if any, to officers, trustees or donors.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which that grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain the grantee's assurances that future diversions will not occur and that grantee will take extraordinary precautions to prevent future diversions from occurring.

You will maintain all records relating to your grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of the 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).

To receive approval of its educational grant-making 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 that 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.
- 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.

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