



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

Date: February 8, 2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202218031
Release Date: 5/6/2022

LEGEND

B = Program

C = Program

D = Individual

y dollars = Amount

z dollars = Amount

Dear _____ :

UIL: 4945.04-04

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under 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 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.

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)).

We also 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 B pursuant to IRC Section 4945(g)(1) and C pursuant to Section 4945(g)(3).

Through B, you plan to award scholarship grants to graduating high school students in amounts that will range from y dollars to z dollars per year for up to four years of study. The scholarship grants will only be used for expenses such as tuition, enrollment fees, books, school uniforms, computer and other supplies, travel and relocation expenses and other expenses incident to the student's course of study. The scholarship amount may be smaller than y dollars or larger than z dollars based on the student's expenses and financial situation. You will accept applications on a continuous basis with no deadlines and there is no limit to the number of scholarships in any given year.

Through C, you plan to award individuals or a team of individuals for various programs of study and the awards will be granted to help advancing the students educational and leadership opportunities. The number of grants and the amount of each will be based on the specific needs of the students and their proposed program or project. For example, you may award a new music instrument and study with a musician off campus, study abroad in pursuit of their language, arts, and history studies, or lab/academic research.

Both B and C information will be disseminated through your partnerships and collaborations with communities, website, press releases, outreach, social media and D's speaking engagement. Applications are available on your website.

There is no age minimum or maximum to apply. Eligible candidates must be students who are:

- In their junior or senior year of high school, on track to graduate, or are currently attending a college or university in the United States;
- Currently enrolled to or have been accepted into a college or university in the United States; and
- Exhibiting some financial need for assistance to pay tuition and related fees.

Applicants must submit an online application, two letters of recommendation, proof of enrollment, financial information, and any other requested documentation.

Scholarship recipients will be selected on an objective and nondiscriminatory basis. The criteria will include:

- leadership skills
- excellent prior academic performance
- exhibited character, motivation, and potential
- personal references from the applicant's current school and teachers
- Financial need will be considered but is not necessarily required

In addition to the specific criteria above, you will also consider the program expenses needed for the specific student to pursue their academic major, degree, and interest in studies in a particular field for C applications.

Your selection committee consists of a board of educators and recipients of earlier scholarships. Your staff will first evaluate each application to determine completeness and meeting the base eligibility criteria. Then, applications will be divided evenly to the selection committee. Each selection committee will assign points to the applications. The applications will be given rank by grades and points given for their essays on leadership and their letters of recommendation. The highest marked applications will be reviewed by all selection committee members and then a final decision will be made. If the selection committee cannot decide, or if there is a tie vote, D will be the tiebreaking vote. You do not anticipate any relatives of your selection committee, officers, directors, or substantial contributors applying for the scholarships, but if an applicant is related to a

member of the selection committee, the committee would not review the application.

You will require the scholarship recipients from B to provide grades received in each academic period and annual report for courses taken. The grades and reports must be verified by the educational institution. Upon completion of the studies, you must also receive a final report. To maintain the scholarship, the recipient must maintain a minimum 3.3 GPA and the educational institution must provide periodic reports to you. If the scholarship recipients fail to submit grade reports, do not meet the minimum GPA requirement, or fail to abide by the terms of the scholarship, you will terminate the scholarship and cease disbursements of future payments.

You will require the grant recipients from C to submit reports on the use of the funds and the progress made. The report must be made at least once a year. Upon completion, a final report will also be required that describes the accomplishments and accounting for the funds.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - 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.

- 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 43 / 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

Enclosures:

Letter 437

cc.