



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

Date:
April 27, 2022
Taxpayer ID number:

Person to contact:

Release Number: 202229038
Release Date: 7/22/2022

LEGEND

B = Scholarship Program

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 program called B, the purpose of which is to advance the educational attainment of students who might otherwise be unable to attend the schools of their choice. You will publicize the program through your other grantmaking activities.

To be eligible for a scholarship, the student must demonstrate financial need and academic merit and be attending or admitted to an eligible educational institution, including both secondary and high schools and colleges and universities.

Specific criteria for awarding scholarships are:

- Demonstration of financial need through provision of appropriate financial documentation,

- Demonstration of scholastic merit through provision of appropriate records of academic achievement such as school transcripts, and
- Demonstration that the student is currently attending, or has been admitted to, an eligible educational institution, through provision of an accepted offer of admission or a current grade transcript.

Your Board will make annual determinations of the amount of money to be awarded as scholarships. The number and identity of students receiving scholarships and the amount and duration of such scholarship will be determined by a program committee. Where the program awards multi-year scholarships, the student must annually demonstrate they are enrolled and in good academic standing at the eligible educational institution by providing the committee a current grade transcript. Children, grandchildren, and great-grandchildren of members of your Board or program committee members are not eligible to receive a scholarship.

You will make scholarship payments directly to eligible educational institutions in the name of the scholarship recipient, to be used solely for qualified education expenses, such as tuition and fees and course-related expenses such as books, supplies and equipment, which are substantiated through appropriate documentation. If you determine that the intended scholarship recipient has failed to enroll or attend or has left the eligible educational institution, or has failed to achieve or maintain good academic standing at the institution, you will notify the recipient that eligibility for further scholarship support is suspended until such time as they rectify the program, and no further scholarship payments will be made until adequate documentation is provided demonstrating that the recipient once again meets eligibility requirements.

The program committee responsible for determining the number and identity of scholarship recipients, and the amount of scholarship awards, currently consists of the current members of your Board of Directors. The Board may elect to appoint persons not members of the Board to serve on the program committee. Each committee member shall either be one of your Directors or a person with a demonstrated interest in or expertise in advancing the educational attainment of students. Scholarships under the program will be awarded by the program committee by majority vote.

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 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.
- 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