



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

Date:
06/06/2022
Taxpayer ID number:

Person to contact:

Release Number: 202235014
Release Date: 9/2/2022

LEGEND

B – Name
C = Organization
D – Number
F = Number
g dollars = Amount
h dollars = Amount

UIL: 4945.04-04

Dear :

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 provide 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 a scholarship program that awards grants in furtherance of your charitable mission to promote, enhance, and fortify the scholarly study of B economic principles which support social and economic equity in land use laws and policy. Scholarship funds will be used by students for tuition and

qualified education expenses during their junior or senior year of college, or for graduate school studies. Students must attend an educational institution that is described in IRC Section 170(b)(1)(A)(ii).

Scholarships will be promoted and publicized through undergraduate and graduate school websites, scholarship-specific websites, and through promotions on campuses and in academic departments that have likely candidates. The scholarships will also be promoted on your website and on the websites of other organizations with charitable missions similar to yours.

To be eligible for a scholarship, applicants must:

- Have completed (or be working on completing) two years of college-level study;
- Demonstrate an interest in economic, social welfare policy, land use policy, or related topics that are relevant to your charitable mission; and
- Exhibit adequate academic performance (minimum 2.5 GPA).

Applicants will be selected based on three primary factors: (1) financial need; (2) academic aptitude; and (3) interest in studies in the academic areas that you seek to support. You anticipate that the following criteria will be part of the selection process:

- Applicants will need to exhibit adequate academic performance (minimum 2.5 GPA) but are not expected to be in the top of their class. You are more interested in academic potential and creating a community of learners dedicated to social and economic equity in land use.
- Scholarship applicants will be asked to demonstrate financial need.

Scholarship recipients will be eligible to apply for supplemental funding to cover the costs of industry-specific opportunities such as professional association memberships, and conference-related expenses such as registration fees, lodging and transportation. The supplemental grant funds are described under IRC Section 4945(g)(3) and are made for the purpose of allowing scholarship recipients to attend conferences and similar academic forums to expand or enhance their research and writing skills. These grants will be made only on (1) a reimbursement basis where the student submits receipts for expenses; or (2) in advance of a conference based on a budget submitted by the student. You anticipate that these grants will not exceed h dollars per student per academic year.

A scholarship committee will review and score each application based on its merit and objective fit for the goals of the scholarship program. The committee will likely be made up of your trustees, staff, and volunteers. You are working with C and may use them for assistance in the applicant screening and selection process. None of the members of the selection committee will derive a private benefit, directly or indirectly, from the scholarship program. Your policy prohibits any trustee or staff member or any relative of a trustee or staff member from receiving any award or benefit from the scholarship program.

Scholarships will be for year. They may be renewed for an additional year at your discretion. The renewal process will require verification of enrollment, assessment of remaining credits to degree completion, and a brief response by the student to an essay question.

You plan to award D scholarships during the initial academic year, and F scholarships each year following. The amount of each scholarship is currently capped at g dollars per year per student, but the amounts and number of awards may increase in the future depending on student need and on your budget and funding.

During the duration of the scholarship, students will be expected to engage in enrichment programming with fellow scholarship recipients, your staff, and volunteers. The programming will consist of participation in webinars, discussion groups, and/or educational forums. The programming will be designed to enhance the

learning amongst the scholarship recipients. There are no requirements or expectations of recipients after their scholarship ends.

Students who accept a scholarship must sign an attestation form that confirms their eligibility for the scholarship and ability to participate in enrichment programming. Students will also be asked to sign a promotional release form and a FERPA-compliant educational records release form.

You will pay the funds directly to the educational institution and will require that the institution uses the funds to pay for tuition and qualified education expenses only for enrolled students who are in good standing. If you discover that the terms of an award have been violated, you may require repayment of the scholarship, or you may take other remedial action.

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

- 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.

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