



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

Date:
08/10/2022
Taxpayer ID number:

Person to contact:

Number: **202244023**
Release Date: 11/4/2022

UIL: 4945.04-04

LEGEND

X = State

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).

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 scholarship program. You believe that education represents the best opportunity for improving an individual's welfare and allowing such individual to provide for themselves, their family and make meaningful contributions to society. The purpose of the program is to award a scholarship to cover tuition, fees, books, and, in some circumstances, living expenses in order for recipients to attend a post-high school institution located in X, such as a two or four- year college or university, trade school, technical school or similar post-high school institution. Both undergraduate education and graduate education will be eligible. Recipients may attend the educational institution on a full-time or part-time basis depending upon their circumstances. Your plan is to award scholarships on a multi-year basis so the recipient can finish their education as long as they meet the requirements of the program, but they must maintain at least a 2.5 or C+ average in order to be eligible to continue receiving assistance. You will award between _____ and _____

scholarships per year, with a maximum award of y dollars per recipient.

In order to apply for a scholarship, applicants must submit:

- a) Certified educational transcripts detailing all education to-date.
- b) Suitable evidence of financial need, including their current financial statement and/or their parents.
- c) Their EFC score from the FAFSA program.
- d) A written statement describing why they desire this award and a description of their goals.
- e) A description of any special needs.

Applicants must also agree to a personal interview as may be required by your board of directors. Selections are made by your scholarship committee, comprised of directors and the general counsel. The most important criteria that are used to select the recipient are financial need, a demonstrated commitment to succeed, and their demonstrated special needs.

Once the committee selects a potential recipient, their information is presented to the full board for approval. The recipient must sign a grant agreement agreeing to the terms of the scholarship. Funds for tuition, fees, and books will be disbursed directly to the school, and funds for living expenses will be paid to the student. The amount paid to the recipient will be y dollars less any other scholarships received by the recipient.

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.

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.

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