



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

Date:
08/08/2022
Taxpayer ID number:

Person to contact:

Number: **202244026**
Release Date: 11/4/2022

UIL: 4945.04-04

LEGEND

W = Name
X = Location
Y = Number
z 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 called W. The purpose of your program is to provide citizens of the X up to Y graduate school scholarships annually. The scholarships we be awarded to qualified students, to provide for expenses including tuition and fees. The amount of each scholarship will be up to z dollars annually and will be paid directly to the school. Contingent upon continued eligibility, the scholarship may be renewable for one additional year.

Each year you will notify potential applicants that applications may be submitted for the following academic year. The notification will indicate a deadline for applications to be submitted. Notification could take different

forms, such as sending materials to administration offices of graduate school programs throughout X, and public announcements on your website and social media platforms.

To be eligible for a scholarship, the student must:

- Obtain or have obtained a bachelor's degree
- Have an undergraduate GPA of 3.5 or higher
- Plan to enroll and attend an accredited graduate school in the X
- Plan to pursue a curriculum leading to a graduate degree in a program that is 2 years or more including but not limited to a Master of Education, Juris Doctor, Doctor of Medicine, Master of Engineering, Master of Education, Master of Public Policy, Master of Public Health, Master of Science, Master of Arts or Doctor of Philosophy.
- Be in the first year of a graduate program
- Be a citizen of the X
- Submit a completed application with required attachments

To apply for the scholarship, applicants must submit the following:

- Eligibility and contact information
- Academic information
- Academic Transcript(s) (undergraduate or graduate)
- Copy of standardized tests
- Work experience and description of extracurricular activities
- Planned graduate study
- Short essay (500 words)
- Letters of Recommendation

After the deadline for applications has passed, you will give the applications to your Selection Committee for review. If you receive a large volume of applications, you may narrow the applications submitted based on the following objective criteria:

- Potential for future successes and contribution to society
- Record of academic and extracurricular achievement
- Capacity for leadership
- Ambition to make an impact on the world
- Relevance of graduate training to long term goals

Written materials from the most promising candidates will be considered by your Selection Committee which will consist of approximately to persons. It will include members of your Board of Directors and other individuals appointed by your Board. Your Selection Committee and will have experience and proficiency in the fields for which your scholarship will be given. The Selection Committee will also interview the most promising candidates. Scholarship grants will be awarded solely in the order recommended by the Selection Committee.

Recipients must sign an agreement agreeing to the terms of the award. Further, the scholarship may be renewable for one additional year. To qualify for a renewed scholarship, the recipient must maintain good standing and full-time enrollment at their school, submit a school transcript to you, and attend the annual conference, except as otherwise permitted by you. Recipients will be required to show proof of enrollment on a

semester-by-semester basis. You will arrange to receive an official transcript of each recipient's courses and grades at least once a year. These continued eligibility requirements will be made clear through written agreement between the recipient and you upon the initial award.

You will maintain and retain records pertaining to all scholarship grants, the records will include all information secured to evaluate the qualification of potential scholarship recipients. Your Selection Committee will retain these records for a commercially reasonable period of time, no less than six (6) years after the filing of your tax return for the tax period covering an application cycle.

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

- 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