



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:

Name:

ID number:

Telephone:

Number: 202244032

Release Date: 11/4/2022

UIL: 4945.04-04

## LEGEND

W = Number

X = University

y dollars = Amount

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. The purpose of your program is to further your charitable purposes by enabling deserving students to pursue their desired academic endeavors. The grants will cover educational expenses including tuition, mandatory fees, room and board, books, supplies, travel, and other significant expenses directly related to the recipients' enrolled educational programs. Portions of the scholarship funds which are used for qualified educational expenses under IRC Section 117(b)(2) are intended to be excluded from recipients' gross income. You will collaborate with the educational institutions to publicize the scholarship program. You will draft a standard scholarship policy and application form will be made available to students through the schools' website and/or financial aid offices.

You anticipate scholarships in the range of W will be awarded annually, depending on the number of applicants. The amount of the grants will be based on available funds, projected educational costs, and applicant needs. You estimate each award may be in the range of y dollars, and occasionally, you may grant larger awards in the range of z dollars. The funds will be disbursed directly to the school's financial aid office and applied to the recipient's student account.

To be eligible for a scholarship, the student must:

- Be seeking full-time enrollment at X, any community college, four-year university, vocational training program, or private high school
- Be a citizen or legal resident of the United States
- Demonstrate financial need
- Demonstrate a minimum grade point average (GPA) of 3.0

In addition to basic identifying information, the applicant must submit the following with their application:

- A letter of recommendation
- Name of desired enrolled academic institution
- Intended major (if applicable)
- Current enrolled school (if applicable)
- Current GPA (if applicable)
- Resume and/or work experience
- Proof of household income by providing copy of two recent pay stubs or prior year tax return
- Estimated educational expenses for the academic year
- The current plan to pay for his or her education
- Estimated grants, awards, scholarships, loans, and contributions the student will receive for the academic year

All applications will be reviewed, evaluated, and ranked by a selection committee who will select recipients based on their demonstrated financial need as well as academic performance. Your selection committee may also consider the applicant's diverse or unique background, life experience, and hardships through the applicant's submission of a personal statement or diversity statement. You will execute a scholarship agreement with each recipient, requiring the grant be rescinded in the event you learn the recipient submitted false or inaccurate information and/or funds were spent inappropriately.

The scholarships are renewable based on the recipients' continued demonstrated financial need as well as their academic good standing and satisfactory progress toward completion of an awarded degree. You will obtain progress reports from the educational institution that include information on courses taken and grades received. Upon completion of the recipient's study, a final report will be collected from the recipient.

Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for the scholarship awards. Selection committee will be appointed by your board of directors. No selection committee members shall consist of individuals possessing a familial or business relationship with any scholarship recipients and at no time will be in a position to receive private benefits, directly or indirectly. Committee members will be required to disclose any potential conflicts of interest at all times.

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.

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: