



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

**Date:**  
09/12/2022  
**Taxpayer ID number:**  
  
**Person to contact:**

**Release Number:** 202249021  
**Release Date:** 12/9/2022

**LEGEND**

B = Name  
C = Number  
D = Number  
E = Location  
y 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). 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 to honor the legacy of your founder who was a wife and a mother, a professional at a company, a firm believer in the importance of educational opportunities, and a longtime member of B located in E. Prior to your incorporation, the scholarship program was operated as a project of B.

Through your program, you will make annual scholarship to individuals for post-secondary education, to be used for tuition and fees required for the enrollment or attendance at an educational organization described in

IRC Section 170(b)(1)(A)(ii) or at a trade or vocational type of school that improves the capacity of the grantee and that leads to a degree or certification (such trade or vocational schools may or may not be described in Section 170(b)(1)(A)(ii)). Scholarships will be awarded based on academic excellence and community service. Under your scholarship program, you anticipate awarding C to D scholarships per academic year in an amount that is generally not more than y dollars to any one student. The number of scholarships and amounts will depend on available funding as well as the quantity and quality of the applications. You will publicize the availability of the scholarships on your website and through word of mouth within your community, namely within B.

Scholarships are only available to B members, children of B members, and participants in youth camps, youth ministry, or other religious activities and programs within B. While applicants must be affiliated with B in some way, B is home to more than members and the group of possible recipients is sufficiently large to constitute a charitable class.

Besides being affiliated with B, eligible applicants must (i) be high school seniors who have been accepted to a post-secondary school, such as a college, university, or trade school leading to a degree or certification; (ii) have excellent academic credentials evidenced by GPA and/or SAT scores; and (iii) have performed voluntary community services activities.

Recipients will be selected by the Board of Directors. The selection criteria used will be based on their academic performance (GPA and SAT scores), community service activities, personal references, and overall character. In addition, the Board may appoint an advisory committee of educators to assist in evaluating and selecting scholarship recipients.

You will consider any applicant who satisfies the eligibility criteria and there will be no limitations or restrictions in selection procedures based upon illegally discriminatory criteria. Individuals who are employed by you, employed by organizations controlled by any of your directors, members of your Board of Directors, or related by blood or marriage to your employees or directors or organizations controlled by any of your directors, will not be eligible for grants from you.

You plan to disburse funds directly to the school to be applied towards the recipient's tuition or enrollment fees. Scholarships are not renewable.

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.

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