



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

Date: 11/02/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202304017

Release Date: 1/27/2023

UIL: 4945.04-04

LEGEND

B = Scholarship
C = Minimum Grade Level
D = Maximum Grade Level
E = Period of Years
F = Grade Level
G = Grade Level
H = Number
J = School District
K = Grade Point Average
L = Foundation
x dollars = dollar amount
y dollars = dollar amount
z dollars = dollar 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 grant program called the B. The purpose of your program is to provide financial support to students who exhibit high potential for success, but do not have the financial resources needed for four-year undergraduate college work, or a credible post-secondary vocational program.

Students may apply for a scholarship at either the C or D grade level. Your program will run for E and involve F and G students. Annually, you will select one male and one female grantee, on an objective and non-discriminatory basis, who have demonstrated financial need and indicate a strong potential for academic success. In all, H students will be eligible for support totaling over x dollars

Grantees selected at the C grade level will be eligible for up to y dollars per year of high school to support their academic development. The funds may be used to cover expenses including, but not limited to, costs for ACT/SAT preparation courses, technology devices, academic support programs, etc...

After graduating from high school, the student will receive up to z dollars per year to pay for tuition, books, and room and board throughout their four-year undergraduate program, or as a full-time student in a credible post-secondary vocational program.

You will publicize your program by relying on school Principals and guidance departments to alert students to your scholarship program and encourage them to apply in a timely manner.

To be eligible for a scholarship the student must attend one of the six schools in J, maintain a GPA of K, and complete therequired application to be evaluated by your selection committee.

Your selection committee consists of representatives of the L, its Public Schools, and its Regional High School District. Also, the former Superintendent of the J, and members of his immediate family. Potential applicants who are family members or who otherwise share a close relationship with any member(s) of your Foundation's committee are ineligible to receive an award.

Annually, your selection committee will select applicants who have demonstrated financial need and indicate strong potential for academic success. The criteria used to select grantees includes, but is not limited to the following:

- GPA
- Transcripts
- Performance on standardized tests and/or aptitude tests
- School attendance
- Recommendations from instructors
- And the conclusions drawn from personal interviews as to the applicant's motivation, character, ability, and potential

Applicants will receive a decision prior to their graduation from C or D grade. You will make payments directly to the institution of higher education/post-secondary vocational schools after each qualifying expense is calculated. For college students living off campus, rent, not exceeding the cost of dormitory living will be paid directly to the landlord.

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.

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