



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

Date:
01/04/2023
Taxpayer ID number:

Person to contact:

Release Number: 202313011
Release Date: 3/31/2023

LEGEND
M = Location
N = Number
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 award program. Your scholarship award program is intended to foster student interest in applied sciences, engineering, or a related field. Under your program, you anticipate awarding scholarships to students who reside in the M area or who will attend an accredited educational institution in the M area.

You will publicize the scholarship program by providing information about the scholarship program to guidance counselors in M area high schools and to admissions offices of M area technical schools and universities that offer programs in the engineering, applied sciences, and related science fields.

You will initially award N scholarships for y dollars, which will be renewable for up to three years. The number of scholarships and the amount of the scholarships may increase or decrease as funds become available or decline.

To be eligible for an award, applicants must be a high school student pursuing a degree in engineering or applied sciences at an accredited educational institution. Students who apply will be expected to have recommendations from teachers, demonstrate that they are motivated, show character and demonstrate the potential to succeed.

Recipients will be selected by a scholarship selection committee whose members will be appointed by your board. The committee will consist of individuals on your board and additional committee members who your board will select because of their expertise in the field of engineering. Relatives or members of the selection committee will not be eligible for your scholarship awards.

The selection committee will award scholarships on the basis of the applicant's demonstrated interest in the fields of applied sciences, engineering, or a related science-based field; the applicant's prior academic performance (especially in relation to science classes); recommendations from teachers; evidence of the student's financial need; and the selection committee's view of the individual's motivation, character, ability, and potential to succeed.

You will pay scholarships directly to the recipient's school. If you receive any information indicating that the terms of the scholarship have been violated or if the recipient fails to maintain a satisfactory progress towards the degree, as determined by the selection committee, the scholarship will be terminated immediately. You will take all reasonable and necessary steps to recover scholarship funds if they are not used for the intended purpose.

You will only renew a scholarship if the recipient is maintaining satisfactory progress toward a degree and remains a student in good standing at an accredited non-profit educational institution. Scholarship recipients must provide you with a transcript of academic performance or some other evidence of academic progress towards the degree or certification, verified by the educational institution as soon as a transcript is available at the end of each academic year for which a scholarship was received.

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,

Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437