



Date:  
04/17/2023  
Taxpayer ID number:  
  
Person to contact:

Number: **202328023**  
Release Date: 7/14/2023

LEGEND

V = Scholarship Program  
W = Scholarship Program  
X = Company  
Y = Number  
b dollars = Amount  
c dollars = Amount  
d 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 the V program that awards scholarships to members of X who are seniors graduating from high school that qualify to attend a post-secondary institution of their choice. In addition, you will award the W to members of X who are adult learners at least years of age or older that qualify to attend

a post-secondary institution of their choice.

Your scholarship program assists recipients with the expense of post-secondary education. A scholarship winner may attend any qualified post-secondary educational institution. A qualified post-secondary educational institution includes any two-or four-year college, university, technical, or vocational school within the United States that is duly accredited by one of the national or regional institutional accrediting bodies recognized by the Council for Higher Education Accreditation (CHEA).

Your scholarship committee shall determine the number of scholarships to be awarded, but you expect at least Y scholarships shall be awarded. These scholarships will total b dollars and will be awarded in increments of c dollars and d dollars. The two top scoring applicants will receive a c dollars scholarship.

Your V program has the following eligibility requirements:

- Applicants must intend to pursue a course of post-secondary study.
- Applicants must commence their post-secondary education or training in the first academic year following the end of their senior year in high school.
- Applicants must be in their senior year of high school or high school graduates or persons who have achieved equivalent certification. If an applicant is awarded a scholarship while in his or her senior year of high school and does not graduate at the end of his or her senior year, he or she is no longer eligible to receive the scholarship and forfeits all rights to any scholarship previously awarded to him or her.
- Students completing high school in less than the normal four years are eligible to apply.
- Students entering a qualified post-secondary institution in the middle of their senior year of high school are permitted to apply for the following year.
- Applicants must be members of X at the time of their application for the scholarship.

Your W program has the following eligibility requirements:

- Applicants must intend to pursue a course of post-secondary study in the fall (within six months of the award) as a full-time or part-time student.
- Applicants must be at least     years of age or older.
- Applicants must be members of X at the time of their application for the scholarship.

You publicize your scholarship program through your website, emails, social media and eNews articles.

Your scholarship committee for the V program shall consist of     volunteers, including scoring members and administration and the W program shall consist of     volunteers. In addition, your scholarship committee members are employees of X and are replaced and selected annually. If a scholarship committee member happens to be a relative of an applicant that committee member is not allowed to vote on the applicant's submission.

Your selection criteria for the V program includes the following specific criteria:

- Academic Promise - Evidence of academic promise is shown by Academic Honors, Dean's List or Honor Roll. Each awarded applicant may be asked to send a transcript to the Scholarship Committee.
- Qualities of Leadership and General Promise - Applicants should give evidence in the application of self-reliance, initiative, and creative ability, both inside and outside the classroom. Factors to be considered in determining an applicant's qualities of leadership and general promise are:
  - Honors, awards and/or other scholarships received by the applicant

- Participation and/or leadership in school activities and sports
- Participation and/or leadership in community and other non-school related activities
- Work experience and jobs held by the applicant
- Essay question response

Your selection criteria for the W program includes an essay question response.

Scholarships granted to a student for study are awarded for one year and shall not be renewed. Payment of the scholarship shall be directly to the educational institution listing the recipient's name.

Your scholarship committee is responsible for administering for scholarship programs and has the authority to set and/or revise such rules and regulations as it deems necessary. You shall maintain adequate records of all scholarship applications received and of all awards granted.

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