



Date:
05/23/2023
Taxpayer ID number:

Person to contact:

Release Number: 202333007
Release Date: 8/18/2023

LEGEND

B = City
C = Number
y dollars = Amount
z 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. Your purpose is to provide scholarships as an extension of your mission in education.

You will award up to C scholarships per year that recognize character, academic excellence, service, and athletic achievement. You anticipate the amounts of your scholarships will range between y dollars and z dollars renewable for up to four years of study.

Your eligibility requirements for your scholarship program include the following:

- Attend B High School
- Be enrolled in the final year of high school
- Complete a scholarship application
- Write an essay on the topic described in the application form
- Provide a copy of high school transcript
- Provide a copy of page 1 of the most recent tax return of parent of person contributing to the cost of the applicant's education

Your scholarships will be presented to high achieving students who demonstrate overall leadership qualities, excellence in academics, leadership in extracurricular and/or community activities, as well as financial need. Your scholarship funds may be used for tuition, books, room and board, and are paid directly to the recipients school.

Your scholarship applications are available at the B High School counselor's office and through other organizations and websites that provide information on youth scholarship programs.

Your selection committee will be comprised of at least three members. Your Board of Directors and Officers will comprise the initial selection committee and you may appoint additional members if an increase is advisable. Relatives of your selection committee are not eligible for your scholarship program.

Your selection committee will select recipients based on the following criteria:

- Demonstrated good work ethic and excellence in academics
- Perseverance despite family economic hardship and financial need
- Civic responsibility and leadership
- Positive participation in home and family life
- Moral and ethical character
- Participation in extra-curricular school and community activities
- Academic effort and achievement
- Formulated plan for use of scholarship proceeds
- Financial responsibility and planning

Your selection committee will notify scholarship recipients of their selection to receive a scholarship. In addition, you may make any public announcement of the scholarship recipients.

You will require periodic reports for each academic period from each recipient. The reports will contain a list of the courses taken, grades received in those courses, and a listing of courses in which the recipient is then enrolled or has enrolled for the following academic period. You will require that the reports be verified by the educational institution attended by the recipient. In addition to periodic reports, you will require that a final report listing the courses taken and grades received as well as the degree obtained, if applicable, and verified by the educational institution. You will require that each recipient sign an acceptance letter that indicates the recipient's agreement to comply with the reporting requirements.

You will begin an investigation if reports or any other information received indicates that the scholarship funds were not used in furtherance of educational purposes and to the extent such investigation reveals evidence of improper use of the funds, you will take the steps necessary to recover any such diverted funds. You will not grant funds to a recipient during the period in which an investigation is in process. Additionally, if you discover

an improper use of funds, the recipient will no longer be eligible to receive scholarship funds.

You will keep complete records relating to all scholarship grants. You will keep reports filed by the scholarship recipients and any other follow-up data obtained in administering your grant program.

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