



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

Date:
05/31/2023
Taxpayer ID number:

Person to contact:

Number: **202334020**
Release Date: 8/25/2023

UIL: 4945.04-04

LEGEND

W = school
X = city/state
y dollars = amount 1
z dollars = amount 2

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 program to provide scholarships to individuals for the purposes described in Internal Revenue Code (IRC) Section 4945(g)(1). Specifically, you plan to provide scholarships to attend college or vocational technical school to students of W in X. You plan to provide scholarships ranging in the amount of y to z dollars to each recipient.

The basis of awarding each scholarship is financial need and the scholarships are intended for students who are unable to attend college without financial help. You will not award educational loans. The total amount of scholarships given each year will be based on available funds. Generally, every student who applies is awarded

some level of scholarship, unless their financial needs are met through other scholarships. The amount of each scholarship will be based on the students' level of need unmet through other scholarships. The use of the scholarships is limited to qualified tuition payments and related expenses within the meaning of IRC Section 117(b)(2).

To be eligible for consideration for a scholarship, the applicant:

- a) Must be accepted and/or enrolled at a college, university, or technical school described in Section 509(a)(1) and 170(b)(1)(A)(ii) as a full-time student working toward an undergraduate degree or certificate
- b) Must not be a dependent of any disqualified person with respect to you
- c) Must be a good citizen as defined by your school district's code of conduct
- d) Must submit an application
- e) Must submit a letter of recommendation
- f) Must maintain a C average and be enrolled in enough courses to allow graduation in four years for college or university, or two years for a technical school.

Scholarship selection will be based on the following criteria:

- a) Submission of the application
- b) Transcripts of high school grades
- c) Reference letters
- d) Statement of high school and college interests
- e) Financial need
- f) Community service and plans for further education

The program will be supervised by your obtaining grade reports and transcripts from recipients, and the scholarships will be paid directly to the school. The funds will only be applied for enrolled students who meet the required criteria and are in good standing. If you disburse funds directly to the student, you will verify from the school that the student is still in good standing and provide documentation that the funds were used for their intended purpose. If you learn that any part of the grant is not being used for its intended purpose, the scholarship will be terminated, and you will take all reasonable steps to recover the scholarship funds.

The selection committee is independent, and you will establish criteria for committee membership as well as the method of replacing members. Relatives of the selection committee are not eligible for awards; nor are officers, directors, or your substantial contributors.

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,

~~State, District, or Municipal~~
Rulings and Agreements

Enclosures:
Letter 437

cc: