



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

Date:
09/11/2023
Taxpayer ID number:

Person to contact:

Release Number: 202349018
Release Date: 12/8/2023

LEGEND

UIL: 4945.04-04

X = area of operation
Y = scholarships awarded annually
Z = related organization
b dollars = scholarship 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 scholarship program. The purpose of your program is to recognize X high school athletes for their excellence in their respective sports as well as their commitment to academics.

You will award up to Y scholarships per year in amounts up to b dollars per scholarship. Your scholarship is to provide financial assistance for individuals pursuing a career in a Science, Technology, Engineering, and Mathematics (STEM) field. The number of scholarships awarded, and the amount of the scholarships, may be adjusted depending on available funds and inflation.

You will publicize your scholarship directly to third-party 501(c)(3) organizations you select. These partner organizations will distribute the application to high school students, and any high school student involved with the partner organization who meets your criteria. Once recipients have been selected pursuant to your processes, you will publish a media release announcing the scholarship and its recipients.

You will select partner organizations from the 501(c)(3) organizations you regularly work with in connection with your other activities. The partner organizations will have a mission related to promoting education in communities within X.

The criteria that the partner organizations and selection committee will use to determine academic performance will include the applicant's grade point average, academic honors, and high school transcript.

Eligible grant recipients will be students graduating from high schools located in X. Students are eligible to apply if they plan to pursue a post-secondary education in a STEM field at an accredited four-year college or university, a two-year college or university, or a trade school within one year of graduating from high school. Eligible students must play or have played a varsity sport while in high school and must maintain a grade point average of 3.5 or higher (or its equivalent). Additionally, eligible students must demonstrate a commitment to their work in the classroom.

Each partner organization will review and evaluate applications submitted directly to the organization by its constituents based on your criteria. Each partner organization will submit its top candidates to the selection committee. The selection committee will then select the final recipients based on the candidate's alignment with your criteria.

The selection committee will of approximately individuals, including one of your directors and disinterested volunteers, who are expected to come from employees of Z or one of its affiliates.

The partner organizations and selection committee will evaluate applications based on the following: (i) academic performance, (ii) community leadership and (iii) alignment and goals with the scholarship program. To evaluate the applicant's community leadership, the partner organizations and selection committee will review the student's volunteer experience, engagement and leadership positions in clubs and community events, and participation in athletic events.

To determine the extent of the applicant's involvement in each activity, the partner organizations and selection committee will review the positions held in the activity or organization, the length the applicant's involvement, and the amount of time dedicated to the activity or organization each week. To further determine the applicant's alignment to the scholarship program's goals, applicants will submit responses to essays on topics related to career goals and participation in athletic activities. Additionally, the individual nominating the applicant from the partner organization will explain his or her reason for the nomination. Applicants will also provide a letter of recommendation from a coach, teacher, boss, guidance counselor, or other mentor.

A recipient of a scholarship award will be required to submit evidence of matriculation to a qualifying educational institution. You will pay the award directly to qualifying educational institution. The scholarship will not be renewable.

In the event you receive any information indicating that the grant has been diverted, you will undertake an investigation and reasonable and appropriate steps to recover the funds.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437