



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

Date:
09/20/2023
Taxpayer ID number:

Person to contact:

Release Number: 202350018
Release Date: 12/15/2023

LEGEND

UIL: 4945.04-04

M = organization
n dollars = amount
P = type of music
Q = country

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 called the M grant providing educational grants to high school seniors seeking admission to institutions providing an educational program acceptable to fill credit toward a bachelor's degree. The M grant can only be used for (1) tuition and fees required for the enrollment or attendance of the recipient at a qualifying educational institution; (2) fees, books, supplies, and equipment required for courses of instruction at such institution; and (3) room and board. The M grant cannot be used for payment for teaching, research, or other services by the recipient.

You plan to award _____ grants per year, each with a value of n dollars. Recipients can use grant funds in an undergraduate field of their choice, and at a college of their choice. Funds are awarded once to a successful applicant and recipients are not be eligible to apply for a second grant.

Your pool of applicants include seniors enrolled at a high school in the United States who are seeking admission to a U. S.-based educational institution, which provides an educational program acceptable for full credit toward a bachelor's degree or higher and is accredited by a nationally recognized accreditation agency. An applicant must also demonstrate evidence of talent as a vocal or instrumental performer of P. You state that between _____ to _____ individuals would be eligible to apply each year.

You will publicize the M grant through your selection committee, your foundation staff's contact with high school administrators, and managers of other relevant community institutions. You will also request that these administrators and managers encourage potential awardees to submit applications for the M grant.

A complete application includes an application form plus the following: (1) evidence of talent as a vocal or instrumental performer of P; (2) prior academic performance, including performance on tests designed to measure ability and aptitude for educational work; (3) recommendations from instructors and any others who have knowledge of the applicant's capabilities; (4) additional biographical information regarding an applicant's academic and other relevant experiences; (5) a statement of financial need; and (6) conclusions which the selection committee may draw as to the applicant's motivation, character, ability, or potential. Criteria may also include the applicant's place of residence, past or future attendance at a particular school, past or proposed course of study, or evidence of the applicant's other talent. Preference may be given to applications of a particular sex, race, ethnic background, or religion so long as such preference does not violate public policy.

Your selection committee is comprised of people appointed by your board of directors. Appointees are selected based on their past contributions to the furtherance of P, or related classical arts of Q.

Grant funds will be distributed in one of two ways: (1) directly to the educational institution for the use of the recipient, or (2) directly to the recipient. For any funds paid to an institution that institution must be described in IRC Section 509(a)(1) & 170(b)(1)(A)(ii). For any funds paid you must receive a report on the progress of each recipient of the grant at least once each year.

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