



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

Date:
10/23/2023
Taxpayer ID number:

Person to contact:

Release Number: 202403020
Release Date: 1/19/2024

LEGEND

B = Number
C = Name
D = Places
y 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 to support college students who demonstrate financial need. You will provide up to B scholarships per year and the amount of the scholarship will be y dollars. You publicize the scholarship program on your website and plan to announce the scholarship's availability during early spring. The scholarship is not renewable, and recipients are not eligible to re-apply.

Applicants must meet the following eligibility requirements:

a. Be enrolled full-time in a 4-year college program in the upcoming academic year

- b. Be a C American (U.S. citizen) or C descent (permanent resident of the U.S.)
- c. Attend a college located in D
- d. Have a minimum GPA of 3.0

All applicants should complete the online application form and submit a copy of their college/high school transcript, a letter of recommendation, a resume, and their FASFA report or other relevant financial documents. A written essay is also required and should outline why the applicant believes they deserve the scholarship.

Recipients will be selected by a selection committee consisting of your directors. The committee can be expanded or changed in the future through your board's voting. Each selection committee member is required to disclose any personal knowledge of and relationship with any potential grantee under consideration and refrain from participating in the award process. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for the scholarship awards. Recipients will be selected on the basis of financial need, academic excellence and/or demonstrated leadership, and personal essay.

Scholarship payments will be made directly to the recipients. Recipients are required to sign a personal certification that the scholarship should be used for qualified expenses, such as tuition, course-related expenses, and room and board. The recipients are also required to provide a tuition receipt, a report and transcript after the first semester. Since you expect the amount of the scholarship will typically be less than one semester's tuition, one report and transcript after the first semester will be sufficient to supervise the scholarships.

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