



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

Date:  
01/03/2024  
Taxpayer ID number:  
  
Person to contact:

Release Number: 202413015  
Release Date: 3/24/2024

#### LEGEND

u dollars = dollar amount  
y dollars = dollar amount

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

#### **Description of your request**

Your letter indicates you will operate a grant-making program which includes scholarships to attend an educational institution of higher learning under IRC Section 4945(g)(1) and you will operate an educational grant-making program which will enhance one's skills above the level they have already acquired under IRC Section 4945(g)(3).

### Scholarship Program

Your purpose of awarding scholarships under IRC Section 4945(g)(1) will be to pay all or part of a recipient's expenses that he/she incurs while attending an educational institution described in IRC Section 170(b)(1)(A)(ii). These expenses will include qualified educational costs such as tuition and fees, course related expenses like books, supplies, and equipment, and/or room and board. The scholarships vary in amounts from u dollars to v dollars. You will further your charitable purpose and mission by providing scholarships to those in need to pursue their education in fields including, but not limited to, nursing, medicine, health services, and aviation. Currently, you do not plan to provide educational loans.

Your scholarship program will be publicized through community outreach and by seeking applications based on need from referral sources. The areas of interest and support needs of individuals will be determined by you. Applications will be solicited from individuals who fit your intended interests and meet the financial need requirements. Furthermore, you will solicit applications from individuals on an objective and non-discriminatory basis. Solicitation materials and announcements will not be generated.

You will use the purpose of the scholarships to determine who is eligible for your scholarship program. Other criteria will include past academic performance, performance on tests designed to measure ability and aptitude for college work, recommendations from instructors, financial need, and the selection committee's conclusions drawn from personal interviews with the recipients. The pool of applicants will be large enough to constitute a charitable class. Race and gender will have no effect on selection of applicants. Scholarships will be made and renewed on a case-by-case basis in an objective and non-discriminatory manner. Furthermore, scholarships will be made with a preference based on need and/or merit, to a charitable class, and not to preselected individuals.

Your committee members will be required to be adults of sound mind and interested in charitable causes and involved in the community. The board of directors will replace and appoint selection committee members. The selection committee members will not receive any direct or indirect private benefit if certain recipients are chosen over others. You will not provide scholarships to disqualified persons or any family members of disqualified persons. Disqualified persons include your substantial contributors, foundation managers, and family members of disqualified persons.

Your officers and directors, and the selection committee, will determine the specific dollar amounts and the total number of scholarships you award. The scholarships will also be determined by need, purpose, amount requested, need in community, and availability of funds.

### Grant Program

Your grantmaking program under IRC Section 4945(g)(3) will be to achieve the specific objective of helping grantee individuals pursue and further their careers in the areas of nursing, medicine, health services, and aviation, and providing financial assistance associated with pursuing such educational opportunities. For instance, one of your specific objectives will be to help nurses enhance their skills and training, and you intend to accomplish this objective by providing grants to the nursing students to pay for their continuing education courses. These grants will further your charitable purpose and mission.

You will identify potential grantees through relationships, input from philanthropic and civic leaders, government entities, nonprofit organizations, and educational institutions. Eligible candidates will include students and graduate students, professionals, and other suitable individuals. Application requirements will be modified based on the subject matter of the specific project that will be undertaken or the grant purpose.

You will ask the applicant, as part of the application process, to provide information on past and current projects

or work, any skills or experience that is relevant to the grant purpose, education background, and letters of reference. For example, if the grantee wants a grant for medical training, you will require the grantee to provide their educational and medical background, and information about any research projects or expertise. The applicant will be required to prepare and submit a description of how they will use the grant, a detailed proposal, description of economic need, and a budget of expenditures that will be associated with further education or training.

Your applicant pool from which the recipients are selected will be reasonably related to the purpose of the grant. The pool of applicants will be large enough to constitute a charitable class unless there are only a few qualified grantees such as in scientific research.

Your committee members will be required to be adults of sound mind and interested in charitable causes and involved in the community. The board of directors will replace and appoint selection committee members. The selection committee members will not receive any direct or indirect private benefit if certain grantees are chosen over others. You will not provide educational grants to disqualified persons or any family members of disqualified persons. Disqualified persons include your substantial contributors, foundation managers, and family members of disqualified persons.

Your selection committee will review the applications, select the applicant pool, interview the potential recipients, and hold a selection meeting to choose recipients. Once recipients are notified of selection, they will sign an agreement, then you will make the grant and keep records regarding the grant. Your officers and directors, and the selection committee, will determine the specific dollar amounts and the total number of grants you award. The grants will also be determined by need, purpose, amount requested, need in community, and availability of funds. Grants will be made and renewed on a case-by-case basis in an objective and non-discriminatory manner. Furthermore, grants will be made with a preference based on need and/or merit, to a charitable class, and not to preselected individuals.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
  - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

**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, Letter 4792 (Redacted)