



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

Date:  
01/22/2024  
Taxpayer ID number:  
  
Person to contact:

Release Number: 202416019  
Release Date: 4/19/2024

UIL: 4945.04-04

## LEGEND

B = Name  
C = Number  
D = Geographic area

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 B. The purpose of B is to provide educational scholarships for two year or four year undergraduate college/university or vocational schooling for children of veterans and/or first responders in a C county area of D. B will be publicized through a number of partnerships that will include commercials, links on partner websites, email blasts, graphics, fliers, one-on-one conversations and communications, social media pages, your website, and calls and emails to all school guidance/counseling offices and college/university admissions offices. Eligible vocational schools will include technical schools, mechanical schools, and similar institutions, but will not include noneducational institutions, on-the-job-training programs, correspondence schools, or night schools.

To be eligible to receive a scholarship under B, applicants must:

- Be the child of a veteran and/or first responder in the defined geographical area,
- Submit an essay describing why they merit assistance as well as an explanation of their financial need,
- Submit two letters of recommendation, with one of the letters coming from a former or current academic instructor,
- Maintain a minimum GPA in high school for the preceding three quarters of their senior year,
- Submit high school academic transcripts proving their GPA,
- Demonstrate financial need defined as yearly household income below the average household indicated for the census tract where the applicant resides,
- Be attending a college, university, or vocational school which normally maintains a regular facility and curriculum and normally has a regularly enrolled body of pupils or students in attendance at the place where its educational activities are regularly carried on.

Further, any family member of one of your officers, employees, board members, or anyone who has contributed substantially to you in the current year or any previous year, is not eligible to receive a scholarship under B.

To apply for a scholarship under B, applicants must apply directly with their educational institution before an established deadline to be determined by you. The educational institutions may have additional requirements for the scholarships, as long as they are not inconsistent with any provision of B.

The number and dollar amount of scholarships under B are determined annually and are fixed for that year. Prior to the commencement of the application process for that year, your board of directors will allocate the aggregate amount among the educational institutions that have agreed to participate in B for that year. Once selections have been made, neither the number of candidates selected, nor the dollar values of scholarships provided, will be changed other than in the event that a recipient fails to maintain enrollment and standing.

Recipients will typically be selected by the educational institution where they applied. Specifically, each educational institution will have the authority and discretion to select grant recipients from the applications received, provided that the institution evaluates all applicants on an objective, non-discriminatory, and equal opportunity basis that does not discriminate on the basis of race, ethnicity, creed, gender, or national origin. If an educational institution seeks your input on selecting recipients or determining the amount of funding a recipient should receive, you will provide such input via a committee comprised of one or more of your board members and one or more of your executive officers. Selected grant recipients are notified via USPS mail, email and telephone call.

All scholarships will be paid directly to the educational institution to be used to pay tuition and fees required for enrollment or attendance, or for fees, books, supplies, and equipment required for courses of instruction at the educational institution. You will require participating educational institutions to agree to use the grant funds to defray the grantees' expenses or to pay the funds to the recipient only if the grantee is enrolled in the educational institution and they are still in good standing. If grantees fail to maintain such standing, the educational institution will follow protocol determined by their Office of Financial Assistance in such cases for probation, remediation, or withdrawal of assistance. Scholarships are not renewable other than from year to year within the recipients two-year or four-year school program and only if the recipient maintains enrollment and good standing.

You represent that you will retain records relating to:

- All information secured to evaluate the qualifications of grantees and candidates/applicants,
- Names of each grantee,
- Any information used to identify whether or not any grantee or any candidate/applicant is a disqualified

person.

- The amount and purpose of each grant, and
- Any follow-up information received from any educational institution regarding any failures of any grantee to maintain standing at such institution consistent with the purposes and conditions of the respective grant.

### **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