



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

Date: 03/21/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202424024

Release Date: 6/14/2024

UIL: 4945.04-04

LEGEND

B = Person

C = City

D = Country

b = dollar range

c = dollar range

d = dollar amount

e = dollar amount

f = number

g = price

h = number

j = number

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 grant making program. Scholarships are provided to individuals for the purpose of paying for those individuals' primary school tuition, secondary school tuition or college tuition, including the cost of required books and related educational expenses. Scholarships will be granted for either a single term or a single year at a time and may be renewed. Based on need and available scholarship funds, h to j new scholarships will be awarded annually. The program is generally publicized through direct contact with the schools. Grant amounts range from b dollars per term for primary school fees, c dollars per year for secondary school fees, approximately d dollars per year for secondary boarding school fees and approximately e dollars per year for university fees. The amount of the scholarships may change over time due to gradual increases in tuition cost and the variance between the difference school's tuitions. A greater proportion of scholarships awarded each year are expected to be for secondary school. There will not be educational loans.

Eligibility in the program will be limited to B children who:

- Are enrolled in or have graduated from public and private primary or secondary school in C and its immediately counties and have received acceptance to a primary school, secondary school or college, respectively
- Have submitted an application for the scholarship or have had an application submitted on their behalf
- Have scored an above average score on the D's Certificate of Primary Education (a score equal to or greater than f) or, for children still enrolled in primary school, are living in extreme poverty as verified in-person by an agent

-

(currently g dollars per person each day)

Scholarship recipients will be selected based on the following criteria:

- A greater score on D's Certificate of Primary Education
- The extremity of financial need as determined by income
- Contributing factors like additional scholarly aptitude or hardship documented in the scholarship application
- Equitable allocation among the primary and secondary schools from which applicants are received

Scholarship recipients cannot be related to a member of the selection committee, your directors or any other of your disqualified persons.

To maintain a scholarship, the grantee must submit all required reports, sustain enrollment in their school and receive passing grades in each of their classes. Students who meet scholarship maintenance requirements may request renewal of the scholarship for the following school year. Scholarships for primary school cannot extend beyond one school year. Renewals will be granted on continued financial need and the students' academic performance.

Each grantee must submit a copy of his or her grade report for each term along with a report describing the grantee's performance in school and plans for improvement in the case that performance is below average or lower than the grantee expected. Scholarships will be paid directly to the grantee's school and schools will be requested to withhold the expenditure of any scholarship for students who are no longer enrolled or who are not passing all of their classes.

If no report is filed by the grantee, or if the report shows that the student is not maintaining passing grades, or if the report indicates that the funds are not being used in furtherance of the scholarship purpose, a member of the Board of Directors will investigate. While conducting this investigation, further payments on behalf of the grantee will be withheld, and reasonable steps will be taken to recover grant funds until it has been determined that the funds are being used for their intended exempt purpose.

Your directors will determine the selection committee. No member of the selection committee will be in a position to receive private benefit, directly or indirectly.

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