



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date: 05/09/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202431018

Release Date: 8/2/2024

UIL: 4945.04.04

LEGEND

R = Number of Grants

S = Name

T = Business Name

V = Name

W = Program Name

X = Organization Name

Z = States

y dollars = Dollar Range

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 called W. The purpose of W is to provide payments to worthy and deserving boys and girls for their general education. This was the wish of the last settlor of your trust, V.

You plan to award at least R scholarships per year in the amount of y dollars. Scholarships will be awarded to students for use at schools or colleges, or for special education in any trade, business, or profession. Scholarships are not renewable, but students are permitted to re-apply for grants in the following academic school year if they qualify.

You will engage with X to administer and promote your scholarships program to reach a large number of applicants. Applicants will fill out their application online through X.

To be eligible for a scholarship, the applicant must be a high school senior, graduate, current college undergraduate, or graduate level student. Applicants must also plan to enroll in full-time undergraduate or graduate study at an accredited two- or four-year college, university, or vocational technical school for the upcoming academic year. Financial need and academic achievement are considered. Applicants will also prepare essays, describe their extracurricular activities, and provide a letter of recommendation from a teacher. Preference will be given to students that reside in Z.

X will review the applications to ensure they meet the criteria required and will rank students based on the factors listed above. X will then submit the list to the selection committee. The selection committee is composed of S & T. T's Administrative Review Committee will conduct a final review of the list and approve the recipients, and award amounts.

Relatives of the selection committee as well as your officers/directors and substantial contributors or their relatives are not eligible to be considered or receive funds for the scholarship.

T will submit payments to X, which will then make payments directly to the students' schools. Case histories for each scholarship recipient will be maintained by X and your selection committee.

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.
- The effective date of our approval is _____ which is the date your request was submitted.
- 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

cc: