



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

Date:  
05/29/2024  
Taxpayer ID number:

Person to contact:

Release Number: 202434015  
Release Date: 8/23/2024

LEGEND

W = Name  
X = State  
Y = Numbers  
z 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 W. Under W, you will award scholarships under IRC Section 4945(g)(1). The purpose of W is to provide assistance to individuals who further and advance your mission including but not limited to providing educational opportunities to disadvantaged persons and to provide for the advancement of educational development.

Under W you will award scholarships to qualified individuals from X and primarily from Central X because this area is lacking in support for students to attend colleges and universities, in order to attend at an educational institution described under IRC Section 170(b)(1)(A)(ii). Awards under W will pay for tuition and fees at a

qualifying educational university, college, or trade/technical school, including fees, books, supplies, equipment required for degrees curriculum and instruction at such school, and for room and board. No part of the scholarship can be used as payment for teaching, research, or other services by the scholarship recipient as a condition for receiving any scholarship or grants.

At this time, awards are awarded on a one-time basis. However, you may consider renewing grants based on available funding to cover the recipient for the 2 to 4 years of the future tuition. Further, these awards will be on a case by case basis and will be based on available funding.

Each year, the approximate number of awards will be based on the amount of funds available and how many recipients you can fund in any given year. You estimate in the range of Y awards annually for the amount of z dollars.

To promote W, you will advertise the availability of the scholarships on your website. You will send out letters to guidance counselors at high schools, colleges, and graduate schools. In addition, you will send out letters to local churches in local counties where there is a great need for financial support.

To be eligible for an award under W, the applicant must be a high school senior or a post-secondary student, demonstrate financial hardship, a strong desire to pursue their education, a legal resident of X and be accepted in an accredited educational program and pursuing an Associate's, Bachelor's or Master's Degree or a vocational certificate as well as demonstrate active community involvement.

To apply for the scholarships, the applicant must complete the application form found on your website. Applicants must provide their specific residence, future and current schools, affiliations, FASFA information, financial information, community service description, standardized test scores, proof of grades/transcripts and an essay. The essay must explain why the applicant is inspired to pursue the field of study or career choice, their career goals and why they should be chosen to receive the award.

Recipients are chosen by a selection committee comprised of individuals who are not related nor disqualified persons or your governing body. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are also not eligible for the awards.

To select the recipients, the selection committee members will use a point system for scoring the selection criteria which consist of prior academic performance, GPA, standardized test scores, recommendations and references from instructors, counselors, and others who have knowledge to attest to the applicant's good standing in school and in the community. The members of the selection committee will also look at volunteer experience, work experience, extra curricula activities, evidence of their drive for success, the overall application quality, and the required essay. Need is also an important component of the selection criteria. Need is based on the statement of need by the applicant, the financial information, scoring from federal student aid and funding programs, and in some cases if the student is working as an independent and needs assistance. The selection committee ranks the candidates in making their selections of applicants based on the total number of points.

Recipients will be notified by mail and are required to sign an agreement agreeing to the terms of the grant. You will pay the educational institutions on behalf of the recipients. However, you would like the option to award the funds directly to the recipient if warranted. The recipients must be verified by the educational institution. Recipients must obtain and submit an annual report and include a summary of the use of the funds awarded, the courses taken, and grades received. A final report is required as well. If you learn that the funds or any part of the scholarship is not being used to further the purposes of the scholarship, it will be terminated.

You will take all steps to recover the misused funds. You will maintain all records and information that was used to evaluate the applicants.

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,

Steven A. Martin  
Director, Exempt Organizations  
Rulings and Agreements