



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

Date: 06/13/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202436020

Release Date: 9/6/2024

LEGEND

X = Country

y dollars = Dollar

Range

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 an educational scholarship program for impoverished children attending an accredited school in X. The total amount of annual scholarship grants will be approximately y dollars. These funds can be used to cover tuition, books, room and board. You will keep records of each recipient including names, addresses, purposes of awards, amount of each grant, and manner of selection.

The scholarships will be available to disadvantaged children living in tribal or downtrodden communities in X. Applications can be submitted by the teachers or parents of the child. The application will include a short essay of why they want to pursue education. Information about parents' background and income, in addition to student's past school attendance and performance must be submitted. Video calls will be made to interview possible recipients and to assess the amount of funding to be awarded.

Once a recipient is selected the scholarship awards will be sent to the school. The recipient must maintain regular attendance and meet the school's academic quality standards. You will make onsite visits twice a year to assess student's performance. You will maintain all records relating to individual grants, including information obtained to evaluate recipients, identify whether a recipient is a disqualified person, establish the amount and purpose of each grant. If the terms of the awards are violated, no further grants will be made to that student. If a school fails to satisfy requirements, no further grants will be made to help students attending that school.

Your board members will be your selection committee. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your scholarship program.

#### **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.

Insert if the organization made grants prior to receiving advance approval.

- 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.

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