



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

Date: 09/03/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202448018

Release Date: 11/29/24

LEGEND

Y = Organization 1

Z = Organization 2

T = Number Range

s dollars = Dollar Amount

v dollars = Dollar Amount

w dollars = Dollar Amount

x dollars = Dollar

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 a grant program to provide financial assistance to graduating seniors from Y pursuing a postsecondary education from an accredited technical school, community college, state school, or university on a part-time or full-time basis.

You expect to award approximately T new scholarships annually ranging from s dollars to v dollars, allocated as follows:

- Community college recipients: s dollars per year
- State school recipients: w dollars per year
- Z schools or other four-year school recipients: x dollars per year
- Technical school recipients: v dollars for the entire program

Scholarship grant amounts may vary based on availability of resources, and may be used only for tuition, fees, books and required supplies. You will publicize your scholarship program on your website and through Y's communication channels, that may include email announcements to students and families, and postings in the guidance counselor's office.

To be eligible for your grants, student must be a graduating senior at Y and must have been accepted to a post-secondary educational program at an accredited technical school, community college, state school, or university on a part-time or full-time basis.

Scholarship application process requires that student submits the following:

- Complete application listing their name, address, parents' names and occupations, number and age of siblings, number of family members in college the following year, the school they plan to attend and whether they've been accepted
- Transcript of grades
- Financial aid offer from the school, FAFSA application, or a letter from an administrator describing financial need
- One letter of reference from a Y teacher or counselor, which includes information about their academic ability, character, and leadership
- Statement describing themselves, their special interests, achievements, activities in and out of school, community service, and future plans

Scholarship grants are renewable for the duration of a student's degree, conditioned on the recipient's maintaining a minimum GPA of 2.0, and proof of enrollment for the following semester.

You will disburse funds directly to the educational institutions and require that funds are used to defray the recipient's qualified tuition, related expenses, or be applied for their benefit. If award recipient fails to enroll, drops out, or fails to remain compliant, such institutions will be required to return all unused grant funds to you.

In the event funds are misused, you will determine if the situation was a mistake and whether it can be corrected. If the grants have been misappropriated, all reasonable steps will be taken to recover any diverted funds and any unused portion is returned or used for intended purposes.

Your selection committee is composed by your president. In the future, additional members may be added. Each committee member is obligated to disclose the existence of a relationship with any potential grantee under consideration. Committee members will refrain from participation in the award process if such member could derive, directly or indirectly, a tangible private benefit from any grantee's selection.

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 May 31, 2023, 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