



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

Date:  
12/12/2024  
Taxpayer ID number:  
Person to contact:  
Name:  
ID number:  
Telephone:

Release Number: 202510015  
Release Date: 3/7/25

UIL: 4945.04-04

#### LEGEND

W = High School  
X = City, State  
Y = Bank  
Z = family  
b = number of awards  
c = maximum dollars  
d = installment amount  
e = semesters  
f = years

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 that you will operate a scholarship program.

The purpose of the scholarship program is to provide financial aid to qualifying high school seniors from W in order to perpetuate growth in the local community.

The program is an annual award, paid in installments up to a maximum of c. The first installment of d will be distributed to the recipient's school. The Selection Committee determines the total number of scholarships awarded each year, with a minimum of b awards to one male and one female student.

To be eligible for the scholarship, the student must:

- Be high school seniors and graduates of W in X
- Plan to enroll in higher education such as technical school, trade or vocational school, two-year college, four-year college or university, graduate school, or any combination thereof
- Enroll in at least twelve credits each semester, and
- Submit an essay describing why they are pursuing a post high school education and how they can, by virtue of receiving the scholarship, promote growth in the X community.

Notice of your scholarship program will be provided to W guidance counselor(s) who are responsible for providing high school seniors with a list of scholarship applications available.

The Selection Committee considers special circumstances of the student such as hardships, grade point average, on-line education programs, school attendance periods, summer school programs, time in which degrees are obtained, number of schools attended, credits taken, and other reasonable considerations. Financial need of the applicant does not play a major role in considering the final award recipient but serves as a tiebreaker when necessary. The selections made by the Selection Committee are subject to written approval by the trustee, Y.

Your Selection Committee members consist of:

- One or more surviving members of the next generation of Z ,
- The senior trust officer of Y
- One or more staff members of W, as selected or approved by Z ,
- One or more members of the X community, as selected or approved by Z

The scholarship program is renewable. When renewing the award, the student must provide a copy of their grades from the previous semester and a copy of their class schedule for the current semester. Each selected student shall receive the sum of d per semester for a maximum of e semesters, to be used over a maximum period of f years from and after the date of the award. In order to retain scholarship eligibility, each recipient must continue to take at least twelve credits each semester and maintain at least a 2.5 grade point average on a 4.0 scale.

### **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