



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

Date:
01/08/2025
Taxpayer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202514013
Release Date: 4/4/2025

LEGEND

x = \$ dollars
y = \$ dollars

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 that you will provide educational grants to graduating high school seniors from public high schools in the US who have been accepted into a 4-year college degree program. Each educational grant will be between x to y per year per grantee. Your first year you will provide two educational grants to two public high schools, totaling four grantees. The educational grant can be used by the grantee for tuition, housing and board, books and other legitimate expenses associated with a 4-year college education. The scholarship will be advertised through coordination with the high school career guidance office.

You will maintain case histories showing recipients of your educational grants, including names, addresses, purposes of awards, amount of each educational grant, manner of selection, and relationship (in any) to officers, trustees, or donors of funds to you.

Selection criteria include previous academic performance, teacher recommendations, and performance during the interview of the applicant. Applicants must be graduating seniors from a public high school and accepted into a 4-year college degree program. Said colleges should be educational institutions recognized under IRC Section 501(c)(3) and 170(b)(1)(A)(ii).

Grantees will be required to maintain a college GPA of 3.0 in order to continue to receive the funding. Grantees will be required to provide a certified college transcript each year before further funding is provided. Educational grants will be paid to the grantees directly. If you become aware that the grant has been used for purposes other than paying the allowable expenses of a 4-year college degree program, you will discontinue the funding and ask the grantee to return all previously awarded educational grant monies.

The selection committee will consist of your directors, invited teachers and/or other community members considered suitable by you. Any person invited to participate on the selection committee will be required to disclose any family or other relationship to any applicant and will be recused from participating in the assessment of that applicant. You will ensure that the selection committee or immediate family members will not be able to derive any private benefit, directly or indirectly, if certain potential grantees are selected over others.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted educational grants, ensure other education 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 diversions from occurring. You will maintain all records relating to educational grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each educational grant, and establish that you undertook the supervision and investigation of educational grants.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437