



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

Date:

04/08/2025

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202527021

Release Date: 7/3/2025

LEGEND

B = Religion

C = City

D = County

E = County

F = County

G = State

H = State

J = Range

k dollars = Dollar

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

Description of your request

Your letter indicates you will operate a scholarship program that will further your educational purposes, which include assisting students in obtaining an education at the college level in an accredited college or university. The purpose of your scholarship program is to provide full or partial scholarships to students at B high schools in the C area.

Scholarships will be awarded based on financial need to assist students in obtaining an education at the college level at an accredited college or university. Your trustee may use the funds for scholarships to assist with tuition for the same student for additional years beyond the first year of college. Each year under your program, you expect to award between J scholarships per year amounting to k dollars per scholarship.

To be eligible to apply for your program, students must:

- Be a student at a B high school in the C area,
- Be recommended by a high school, college, or university,
- Complete the Free Application for Federal Student Aid (FAFSA) annually, and
- Show an inability to obtain the financial resources to attend their desired college or institution.

Specific criteria you use to select recipients include the following:

- High school and university recommendations,
- High school achievements,
- Grades,
- Extracurricular activities, and
- Financial need

To be eligible for renewal of the scholarship, students must:

- Be a full-time student,
- Maintain a minimum grade point average of 3.0,
- Complete the FAFSA annually,
- Use scholarship to pay for undergraduate programs, and
- Adhere to the educational institution's standard of conduct.

You will publicize your scholarship program by contacting several B high schools in the area and several colleges and universities eligible to accept the award and asks for applications. You represented that since the amount of funds available for scholarships is limited, you expect to receive a sufficient number of applications in this manner. You intend to reach out to different eligible high schools and universities each year.

You stated that you do not reach out to all B high schools in the C area and all eligible colleges and universities because you are concerned that there would be voluminous responses and applications for which you would need paid staff to review. You stated that you did not develop any publicity materials or program descriptions.

Your trustee has sole authority to award scholarships but will seek information and recommendations from both eligible high schools and colleges and universities.

All scholarship proceeds will be paid directly to the school's financial aid office. Any unused funds must be returned to you. Schools receiving proceeds will be required to provide an annual report setting forth classes taken and grades received and report any conduct violations or issues.

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.

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

cc: