



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

Date: **January 11, 2022**

Number: **202214018**
Release Date: **4/8/2022**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

LEGEND

B = Name

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 scholarship program in which you offer annual scholarships to eligible individuals to attend a secondary school, college or university as described in IRC Section 170(b)(1)(A)(ii).

The purpose of your program is to provide merit-based scholarships to individuals facing financial or other hardship. The scholarship is an amount of up to the actual annual tuition per year. You will award approximately ten to twelve scholarships annually.

You will publicize the scholarship program via social media, including Facebook and LinkedIn, as well as

through free Internet scholarship sites and online media. Applicants must meet the minimum standard for admission to an educational institution described in IRC Section 170(b)(1)(A)(ii). Applicants must submit an application form along with copy of official transcript, recommendations, and essays no later than June 1st. The scholarship recipients will be announced on or before July 15th of each year.

The following individuals are not eligible to apply for the scholarships:

- Disqualified persons
- Relatives of disqualified persons
- Members of the selection committee
- Your officers, directors, and substantial contributors

You will make the selection based on objective nondiscriminatory standards. Objective standards may include the following:

- Prior academic performance
- Financial need
- Resiliency in overcoming adversity or obstacles
- Personal Interview
- Conclusions drawn from the application and interview as to motivation, character, potential contribution to community and commitment to academic study

The scholarship will continue until the student graduates provided that the student meets the following continuation criteria:

- The student must maintain a 2.5 grade point average on a 4.0 scale,
- The student must maintain continuous full-time enrollment (excluding the summer semester), unless prevented from doing so due to catastrophic illness or injury, such illness or injury justification to be determined by B, and
- No future payments will be made if the student is expelled from the educational institution that the student is attending.

Your selection committee is composed of three judges appointed by your directors and may include your directors and the founder. The selection committee will independently evaluate the applications and rank all applicants from highest to lowest. Each judge will send their independent rankings to B, who will combine the rankings and determine the highest ranked applicant.

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: