



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

Date: **04/20/2022**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202228020**  
 Release Date: 7/15/2022

**LEGEND**

UIL: 4945.04-04

X = Organization

y dollars = Amount

Date:

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 award scholarships to deserving high school students to attend institutions of higher education, primarily 4-year colleges. Each calendar year, your Trustees will determine the number of full and partial scholarship award to be offered for the upcoming fall term. Some or all of the scholarship awards may be limited to high school students who are residents of particular states of the United States of America, or particular geographic regions within those states.

Administration of the scholarship program will be the responsibility of the Scholarship Committee. The Committee will consist of at least \_\_\_\_\_ individuals, at least one of which will be a Trustee.

The Committee will mail or send electronically the scholarships announcement to appropriate high schools. The

announcement procedures will be structured to ensure that the potential group of qualified scholarship recipients will be as large as reasonably possible within the purpose of the scholarships.

In order to apply, potential candidates will complete and submit an application form, together with all required attachments, to their high school guidance department or similar local collection department.

Recipients will be selected based on demonstrated financial need, dedication to community service, and prior academic performance. Candidates shall be selected without regard to race, color, religion, gender, gender identity, or sexual orientation. Relatives of members of the Committee, or of your officers, directors, or substantial contributors will not be eligible for a scholarship award. No member of the immediate family of any officer of X will be eligible to receive scholarship awards.

All collected applications will be forwarded to the Committee; however, in some cases, the Committee may delegate a preliminary review of applications to the high school guidance department or similar local group. The Committee will delegate the preliminary review of applications and the selection of applicants who are likely to meet the criteria for an award only when it is satisfied that the group in question will evaluate the candidates in accordance with the Committee's own procedures. Those applicants selected after the preliminary review will be forwarded to the Committee for final selection. The Committee will select those applicants who have most acceptably met the criteria for a scholarship award.

Recipients of full scholarship awards will receive y dollars to attend the educational institution of their choosing. Payments will be made directly to the educational institution in equal installments to coincide with the number of semesters needed to achieve a bachelor's degree or equivalent. Such institution must agree to use the scholarship funds to defray the recipient's educational expenses or to pay the scholarship to the recipient (or a portion thereof) only if the recipient is enrolled at such institution and their standing is consistent with the purposes and conditions of the scholarship. After the initial scholarship disbursement, recipients are required to meet criteria for renewal prior to the disbursement of subsequent payments. The requirements for renewal can change from time to time at the discretion of the Committee.

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

- 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: