



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

Date:
03/20/2023
Taxpayer ID number:
Person to contact:
Name:
ID number:
Telephone:

Number: **202324013**
Release Date: 6/16/2023

UIL: 4945.04-04

LEGEND

B = Scholarship program
C = County
D = County
E = County
F = County
G = State
H = Bank
J = Number
K = Business
x dollars = \$

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 B. The purpose of B is to provide scholarships to high school seniors,

graduates or GED recipients who plan to enroll part-time or full-time undergraduate study for the first time at an accredited two- or four-year college, university, vocational or technical school. You will award up to J scholarships in the amount of x dollars per year, renewable up to a maximum of three years or until a bachelors' degree is earned, whichever comes first. B is publicized through multiple channels, including your website and social media pages, press releases, fliers, and outreach to guidance counselors in your geographical footprint. Applicants are required to upload their transcripts as part of their initial application. You will not provide educational loans.

B has the following eligibility requirements:

- Recipients must be high school seniors, high school graduates or have a GED
- Recipients must be enrolling for the first time in 2-year college, 4-year university or vocational school
- Recipients must be attending either part-time or full-time
- Recipients must have a minimum of 2.5 GPA on a 4.0 scale, proved through submitted transcripts
- Recipients must reside in C, D, E, F, counties in the state of G
- Employees of H and their families are not eligible

The following is used to select recipients of B:

- Financial need, leadership, academic performance, school/community participation, work-experience, career/educational goals/objectives, unusual personal/family circumstances, with a preference for single parent/head of household families

You will use K to review applications, select recipients and provide overall administration of the program to ensure unbiased selections.

You will send the scholarship check to the recipient made payable to the college/university or program the student is attending. If the student is not enrolled in the college, university, or program the check will be returned to you.

To maintain the scholarship and be eligible for a renewal, the scholarship recipient must maintain satisfactory academic performance, which is defined as maintaining a cumulative grade point average of 2.5 on a 4.0 scale, proven through transcripts. Students must be in good standing and maintain part-time or full-time enrollment.

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.

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