



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

Date: 07/22/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202442012

Release Date: 10/18/2024

LEGEND

B = City, State

C = Number Range

D = State

E = Number Range

x dollars = Dollar

Amount

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. The purpose of the program is to assist B's graduating high school seniors to pursue higher education at a college or university. You predict that you will distribute approximately C awards annually, each award in the amount of x dollars. Your board of directors will determine the scholarship amount per year and the number of students awarded.

Your scholarship program eligibility criteria includes:

- Student is a D resident
- Student is a senior graduating from an B high school
- Student must demonstrate financial need and apply for Federal Student Aid
- Student must have average minimum high school GPA of 3.0 on a 4.0 scale
- Student must be accepted for admission to specified school at which he or she is applying for scholarship
- Student must be enrolled as a full-time student or for a minimum of 12 credit hours

The scholarship program and application are advertised at B's local high schools' administrative offices. Students should submit application at their Counselor's office, provide three letters of recommendation and their financial information. Applicants are also required to submit a high school transcript to verify GPA meets specified criteria.

Your board of directors make up the selection committee for your scholarship program. Applicants are selected based on the listed eligibility criteria as evidenced in the application submitted. You estimate there are approximately E students eligible to apply for your program annually. Relatives of members of the selection committee, or of your officers, directors, are not eligible for awards made under your program.

The awards are made on a one-time basis. The recipients are expected to submit a thank you letter to your board of directors by July 1st, following the receipt of their award, or they will lose their scholarship. The recipients are also required to be a full-time student in both the first and second semesters of their freshman year to receive the full award.

You pay grants directly to the school the recipient is attending and work with the financial aid director for information regarding allocation of funds, students' enrollment, and maintenance or not of GPA requirements of 2.0 or higher during the fall semester of their collegiate year. Students are required to send you a copy of their fall semester grades with their cumulative GPA and the classes they are enrolled in for the spring semester with credits showing they are a full-time student. The second half of the scholarship funds are not to be dispersed to student if such criteria is not maintained.

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