



Department of the Treasury  
Internal Revenue Service  
Tax Exempt and Government Entities

Date:  
08/01/2024  
Taxpayer ID number:

Person to contact:

Release Number: 202443026  
Release Date: 10/25/2024

**LEGEND**

UIL: 4945.04-04

H = Numbers  
J = Name  
K = Location  
x dollars = Amount

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 you will operate a scholarship program under IRC Section 4945(g)(1). The purpose of the program is to award scholarships to high school students who have overcome adversity, while demonstrating resilience and exhibiting a desire to grow through obtaining a college or graduate level degree. The scholarships are to be used at a qualified educational institution for the recipient's tuition expenses, enrollment fees, books or supplies and equipment necessary for their course of instruction, at the institution where they are enrolled. You will award in the range of H nonrenewable scholarships for x dollars. You will publicize your program on your website and through emails pushed to students by J, the local school district.

The program is currently open to students who attend high school in J in K, who intend to obtain a college or graduate level degree from a qualified college or university. In the future, you intend to expand the scope of eligible students to include students attending other high schools in the metropolitan K area. Further, members of the selection committee, your officers, directors, or substantial contributors or their relatives are not eligible for awards.

To apply for your scholarships, eligible candidates must generally provide biographical information and submit to you the name of the college they plan to attend as well as submit an essay that describes how they overcame adversity, sharing an experience from which they learned an important lesson or gained a new perspective on life. Candidates can either submit the documents directly on your website or email the documents to you.

All submissions will be reviewed by your selection committee consisting of your directors who will award scholarships to the most deserving candidates on an objective and non-discriminatory basis. You may also create a scoring rubric to ensure an objective and non-discriminatory method of review is used.

All recipients of the scholarship awards will be notified that the awards must be used for tuition, enrollment fees, books, supplies and equipment necessary for the recipient's course of instruction at the institution where the recipient will attend. The scholarship will be sent directly to the higher education institution with a directive for how the funds may be used by the recipient.

You will follow up with the scholarship recipient and/or higher education institution to obtain a report to determine that the funds were used in accordance with the specified parameters for the scholarship. In the event the terms of the award are violated, your directors will investigate and review the circumstances on a case-by-case basis and take appropriate action commensurate with the error. While most circumstances likely can be easily resolved, egregious misapplications of scholarship awards may result in you revoking the award or seeking repayment of misused funds.

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