



Date: 08/19/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone.

Release Number: 202446022

Release Date: 11/15/24

LEGEND

B= State

C = State

D = Number Range

y dollars = 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 to assist fatherless individuals who aspire to attend private religious K-12 institutions in B and C.

Your scholarship program's goal is to provide financial aid for tuition, books, and related educational expenses. You will award D grants annually, each valued at y dollars. To be eligible, applicants must have a deceased father, and plan to attend a private religious institution of primary, intermediary, or secondary education that meets the criteria outlined in IRC Section 170(b)(1)(A)(ii).

Your application process includes information on the student, parents, grade level, desired school, tuition amount, a statement of interest, and the desire to receive a religious education. Candidates will be required to provide information on whether their birth father is deceased. Updates on educational activities and confirmation of enrollment for the entire academic year are required from scholarship recipients. Awards are renewable for those continually enrolled and making educational advances.

You will publicize your program through multiple channels, including local community leaders, guidance counselors, and school administrators. Comprehensive records of all awarded scholarships will be retained. A commitment to non-discriminatory awards is affirmed, irrespective of various factors. You reserve the right to impose reasonable restrictions and requirements to your grant's selection process, subject to IRS approval for substantial changes.

Your selection criteria include a statement of interest, financial need, and a desire for private religious education. Scholarships are paid directly to the educational institution, contingent on recipient's enrollment and good standing. You require recipients to submit periodic reports to confirm they have attended school for the entire academic year and ensure proper use of funds. In case of violation of the terms of your program, you will take appropriate steps to recover issued funds and will withhold further payments.

You will follow a priority criteria to award one full scholarship per family, followed by financial need, tuition cost, and the statement of interest for additional children within the same family, with partial scholarships awarded when funds permit. Your selection committee will be comprised of your board members as well as other individuals appointed by the board to oversee the process of reading, evaluating, and prioritizing applications.

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