



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

Date:
11/07/2024
Taxpayer ID number:

Person to contact:

Release Number: 202505026
Release Date: 1/31/2025

UIL: 4945.04-04

LEGEND

B = Location

C = State

d dollars = Amount

e dollars = Amount

f 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 a scholarship program in order to honor students in C by helping them get a strong start after high school. The scholarships will be awarded to deserving students to earn a degree from a four-year university or college. Under your program, you will offer scholarships through local high schools and colleges in the B.

You will award at least d dollars in total awards through a combination of e and f dollar awards. The scholarship amount will vary based on a recipient's area of interest, academic and extracurricular

accomplishments, and financial need. You intend to award more scholarships as you receive additional contributions and returns on investments.

To promote your scholarship program, you will use your website and social media pages, geographically targeted online advertising, email campaigns, and conduct presentations at high schools, colleges, and community events in the B area.

To be considered for a scholarship, a student must have a GPA of 3.0 or higher on a scale of 4.0, and generally show financial need, demonstrate the ability to overcome life challenges, and show a desire to pursue higher education as well as submit a complete application.

To apply for a scholarship, applicants must submit a completed application form. The applicants are also required to include a copy of their most recent transcript showing an overall GPA of 3.0 or higher on a scale of 4.0, an essay of about 500 words answering one of three prompts provided on the application, a description of their financial needs, and two letters of recommendation.

Applicants must also self-report their current and future employment plans, future educational plans, and financial need based on family size and total annual income on their application. Further, you may request a detailed financial statement from applicants in order to substantiate an applicant's description of their financial need. Applicants who are unable to provide a detailed financial statement may be requested to attend a personal interview.

Scholarship recipients will be chosen by a selection committee consisting of your members along with two outside individuals selected by your members. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors will not be eligible for awards made under your program.

The selection committee will choose recipients based on the applicants' areas of interest, and their academic and extracurricular accomplishments. Specific selection criteria will include the applicant's financial need, their academic performance, their ability to overcome life challenges, and their desire to pursue higher education. Priority consideration will be given to applicants demonstrating the greatest levels of financial need. Individual scholarships will be based on the students' area of interest.

When possible, you will pay to the awards directly to the school foundation who will provide monitoring of the awards. When not possible, you will pay awards directly to the school who will apply the funds only for enrolled students who are in good standing.

You will require recipients to report back to you and provide transcripts. Recipients will be considered for renewals based on their academic success, level of motivation, accomplishments outside of the classroom, financial need, and compliance with furnishing regular reports.

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, Notice of Intent to Disclose