



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

Date:
12/12/2024
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202510016
Release Date: 3/7/25

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 that you will operate scholarship program for students attending high school, college, university, graduate school, or vocational school. You have four focus areas: animal welfare, education, Christianity, and support for veterans.

You will establish a target number and dollar amount of scholarships, based on the required distributions of IRC Section 4942, the estimate of which is provided by the Trustee annually to your Distribution Committee in January. You will have a further determination of the exact amount paid to each scholarship recipient, whether it is renewable, and conditions for renewal by majority vote of the Distribution Committee based on the trustee estimate, as well as the number and content of the scholarship applications.

You will publish in a manner so as to guarantee that a sufficient number of applicants meet this standard, however, you may limit publicity to selected schools to ensure that a number of applicants meet your criteria, or to positively impact your four focus areas.

The primary criterion for the program is academic excellence, as defined by a cumulative GPA of 3.5 or in the top 20% of students for high school applicants, and a cumulative GPA of 3.25 for college, university, graduate, or vocational students. In the case of approving scholarships for applicants who do not meet the threshold, you may consider:

- Income and extenuating financial circumstances
- Availability of other scholarships
- School being attended and the degree program pursued
- Extracurricular and community activities
- Application essay
- Letters of recommendation
- Grades and attendance
- Standardized test scores
- Factors relevant to the four focus areas

Students must be enrolled in a non-profit school described under IRC Section 170(b)(1)(A)(ii) and must not be a disqualified person defined in IRC Section 4946(a)(1). Students must submit an application and all required attachments by May 30 for the upcoming academic year.

Scholarships may be renewable based on a decision by the Distribution Committee, which also determines the renewal criteria. The application and criteria will ensure that the committee has enough information to take renewal into account when considering the number and dollar amount of new scholarships offered.

The selection committee is selected by the Trustee of your foundation. Members of your selection committee, officers, directors, or substantial contributors or their relatives are not eligible for awards.

Funds will be paid directly to the recipient's institution, to be applied towards tuition and fees. You will seek to recover scholarship amounts paid if the terms are violated.

You represent that you will:

- Arrange to receive and review grantee reports annually and upon completion of the purpose the scholarship was awarded
- Investigate any diversion of funds from their intended purposes
- Take all reasonable and appropriate steps to recover the diverted funds and ensure other funds are used for their intended purposes.
- Withhold further payments until you obtain assurances that future diversions will not occur and that recipients will take extraordinary precautions to prevent future diversions
- Maintain all records related to individual grants including evaluation information, whether or not the recipient is a disqualified person, the amount and purpose of each scholarship, and your supervision and investigation efforts 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 scholarship 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 scholarships 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 scholarship 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