



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

Date: 03/28/2023

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202325011

Release Date: 6/23/2023

## LEGEND

X = Scholarship Program

M = Number

N = Business

y dollars = \$

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 X. The purpose of X is to award scholarships to the top qualifiers in each scholarship division. You stated awards will be used for any post-secondary education opportunity. All awards will be of a type which will be excludable by recipients under IRC section 117 as qualified scholarships which may be used for qualified tuition and related expenses. These include: (1) tuition and fees required for the enrollment or attendance of a student at an educational organization described in section 170(b)(1)(A)(ii) and (2) fees, books, supplies, and equipment required for courses of instruction at such an educational organization.

Scholarship funds may only be used for qualified expenses. All scholarship recipients must provide proof that they are matriculated at a qualifying educational institution and sign an agreement certifying they will use funds awarded only for a qualifying purpose.

You stated that funding will be provided by a designated percentage of entry fees in each division of each competition that you sponsor. The total pool of funds accumulated will be awarded based on placement in the competitor's designated division. Scholarship awarded will be y dollars depending on total pool of prize funds available. Number of awards will be determined by the number of participants in each division but no more than M scholarships per division.

Your scholarship events will be publicized on your website and social media channels as well as promoted to schools, colleges, and other youth programs. You will not provide any loans.

To be eligible for a scholarship applicants must enroll and compete in an archery tournament at N or one of your sponsored tournaments. Competitors under the age of 19 will not have eligibility restrictions. Competitors aged and older will be required to show proof of school enrollment at a qualified educational institution to compete in the college scholarship division. Upon completion of the event and validation of placement, participant or legal guardian will be required to provide information and submit the official form to set up their holding account.

Criteria for receiving a scholarship is based on placement in archery tournaments. Selections are made on an objective and non-discriminatory basis. Eligible participants competing for scholarship prize funds receive awards solely on scoring and ranking in the competition. Event management will verify accuracy of these quantitative results and announce placement to all eligible participants.

The awarded funds must be used for post-secondary education at an institution described in section 170(b)(1)(A)(ii). You plan to award approximately awards each year. The scholarships are non-renewable.

Scholarship awards will be placed in your scholarship holding account within 30 days of event completion. Funds will be in the participant's name. A scholarship award must be within years of or it will be forfeited.

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,

Steve A Martin  
Director, Exempt Organizations  
Rulings and Agreements

Enclosures:  
Letter 437