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

Date:
08/07/2023
Taxpayer ID number:

Person to contact:

Release Number: 202344019
Release Date: 11/3/2023

LEGEND
B = Location
C = Number
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 for students in B. The purpose of this scholarship program is to assist students who lack the financial means to obtain a degree. You will award approximately C scholarships per year ranging in y dollars. You do not offer renewable scholarships.

Your eligibility requirements include the following:

- High school graduate or its equivalent
- Minimum GPA
- U.S. citizenship

- Declared field of study or major
- Financial need

You maintain an electronic application portal on your website, in which students may apply for scholarships to attend an educational institution. As part of the application process, students must submit a copy of their academic transcripts and Free Application for Federal Student Aid (FAFSA). Your scholarship opportunities are shared via social media, educational institution websites and advertised throughout B in publication and digital formats. Additional information is distributed throughout campuses, student bodies, office of financial aid, and shared with high schools, educators, and students.

Your selection committee is comprised of Board of Trustee and Executive Committee members serving on a rotating basis. Appointment to the selection committee is with the approval and authority of the Executive Committee. Your Board of Trustees is comprised of educators, former educators, and local professionals who serve with no benefits derived for their service. Should a conflict of interest arise in that a committee member knows or has a relationship with an applicant, the member must recuse themselves and is replaced by an alternative member of the Board of Trustees, as approved by the Executive Committee.

Your selection committee chooses recipients based on their application, field of study (major), essay, GPA, financial need, advancement towards a degree, professional aspirations, other financial aid such as awards or grants, and expected family contribution based on the students FAFSA. You require that students agree to permit the educational institution to share their enrollment status, financial aid information, and transcripts, including GPA with you. Information provided by the student is validated with information provided by the institution. Your awards are made to the educational institution for the benefit of the student and credited to their account. In the limited cases in which a student does not remain enrolled, the funds may be held for a subsequent semester or are returned. Should a student fail to re-enroll, funds must be returned .

You will maintain a relationship with the institution of higher learning to ensure the funds are utilized properly and that students remain vigilant in the pursuit of their degree. You will keep a record for each award which includes the name, address, award amount, the purpose of the award, related selection committee and selection process.

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.
- The effective date of our approval is , which is the date your request was submitted.
- 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