



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

Date:
12/19/2023
Taxpayer ID number:

Person to contact:

Release Number: 202411014
Release Date: 3/15/2024

LEGEND

UIL: 4945.04.04

U = State
X = Number Range
W = Number Range
y dollars = Dollar Range
z dollars = Dollar Range

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a scholarship program under IRC Section 4945(g)(1) and an educational grant program under IRC Section 4945(g)(3).

Scholarship Program:

You will offer scholarships to attend Agricultural, Science, and Technology Programs (ASTE) at related degree programs at the undergraduate level. All scholarships will be for tuition and other related expenses at schools described in IRC Sections 509(a) and 170(b)(1)(A)(ii). Most of the undergraduate scholarships will be made to students at the University of U.

Eligible recipients of the scholarships will include public high school seniors at U's ASTE, full time students at University of U's College of Agriculture, Health, and Natural Resources, high school seniors from other U high schools with a demonstrated strong interest in agriculture, and college students undertaking coursework in agriculture science at other colleges and universities. Typically, X scholarships will be offered each year in amounts ranging from y dollars as adjusted for inflation. Scholarships will be paid directly to the school based on the recipient's enrollment or directly to the recipient. Amounts to cover books or equipment will be reimbursed on proof of payment and must be approved in advance.

The scholarships will be publicized through guidance counselors and undergraduate financial aid offices. Eligible recipients will complete an application. Scholarship recipients will be selected on a nondiscriminatory basis based on their applications, academic potential, and interest in ASTE, agricultural science or related undergraduate programs, or careers in agriculture or related fields. Letters of recommendation will be required and recipients must be admitted to a college or university program which offers coursework in agriculture. Scholarships will be renewable upon reapplication. Applicants grade point average in college coursework will be considered along with all other selection criteria.

Selection committees may include board members and other advisors with an interest in education. All selection nominations will be approved by your full Board of Directors. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for your scholarships.

Educational Grant Program:

You will offer educational grants to individuals 18 or younger to attend qualified camps in U which provide character building activities, and focus on social, spiritual, mental, and physical development. These camps will be IRC Section 501(c)(3) organizations or governmental entities. Typically, W educational grants will be offered in amounts of z which may be applied to camp fees or equipment. Educational grants will be paid directly to the camp based on the recipient's enrollment or directly to a parent or guardian. Amounts to cover expenses related to the camp experience will be reimbursed on proof of payment and must be approved in advance.

Your educational grant program will be publicized through qualifying camps. Eligible recipients (U residents 18 years old or younger) will complete an application. Eligible recipients will be selected on a nondiscriminatory basis based on their application, as well as on financial need. Financial need may be demonstrated in several objective ways, including family income, as adjusted for family size, short term financial hardship such as unemployment, or eligibility for social support programs.

Selection committees may include board members and other advisors with an interest in camps. All selection nominations will be approved by your full Board of Directors. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for your educational grants.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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.

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, Letter 4792 (Redacted)