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

Date:
03/28/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202525014
Release Date: 6/20/2025

LEGEND
C = County
D = Area
x = Number of Scholarships
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 college scholarship program for graduating high school seniors in the C and D area who demonstrate leadership, a financial need and a commitment to community service. You will provide x scholarships for y. Your board will determine the number of scholarships at an authorized board meeting. Your program will be publicized at C area schools.

You will maintain case histories showing recipients of your college scholarship program, including names, addresses, purposes of awards, amount of awards, manner of each selection and relationship (if any), to officers, trustees or donors to you.

Your selection criteria for determining who is eligible for your college scholarship program consist of graduating high school seniors in the C and D area.

Your specific criteria used to select recipients will be based on prior academic performance of a B average or better. Your recipients will have a demonstrated financial need based upon expected cost of college or university tuition compared to their family's ability to pay. Additionally, extracurricular achievements, including but not limited to, the applicant engaging in at least one or more public service projects in the last two years will be considered.

Your recipients are required to provide proof of acceptance of admission at a post-secondary college or university and a commitment to enroll in such post-secondary college or university to obtain or qualify for your program.

You require all scholarship recipients to periodically submit grade transcripts and verification of enrollment. You pay grants directly to the recipient. Notice of violations will be sent to recipients before any further action is taken at the discretion of the Board of Directors.

Your selection committee consist of your Board of Directors.

Relatives of members of the selection committee, or your officers, or your directors, or substantial contributors are not eligible for awards made under your program.

You represent you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for the scholarship, (2) investigate diversions of funds from their intended purposes and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other scholarship 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 take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records relating to individual recipients including information to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each scholarship, and establish that you undertook the supervision and investigation.

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