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

Date:
04/01/2025
Taxpayer ID number:

Person to contact:

Release Number: 202526017
Release Date: 6/27/2025

LEGEND
B = Organization
C = Organization
D = School
E = Organization
x dollars = dollar amount

UIL: 4945.04-04

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 two programs, B and C.

Details for Grants under IRC Section 4945(g)(1)
The purpose of B will be to provide scholarships for study at an educational institution (described in IRC Section 170(b)(1)(A)(ii)) that provides an educational program acceptable for full credit toward a bachelor's or higher degree or offers a training program to prepare students for gainful employment in a recognized occupation. Scholarships must be used for qualified tuition and related expenses (within the meaning of IRC Section 117(b)(2)), and for room and board.

Under B, scholarships will be open to D graduating seniors. The scholarships will be based on the following list in descending order of importance: financial need, academic performance and general achievement. In the assessment of these criteria, your selection committee shall consider performance of each applicant on tests designed to measure ability and aptitude for educational work. This includes recommendations from instructors of such applicant and any others who have knowledge of the applicant's capabilities, additional biographical information regarding an applicant's career, academic, and other relevant experiences, and conclusions which your selection committee may draw as to the applicant's motivation, character, ability, or potential. Selections will be made on an objective and nondiscriminatory basis.

To promote B, you are developing a website. Additionally, you will communicate with D administrators and guidance counselors to promote the availability of your program. You further intend to promote B through social media.

Scholarship applications are due by May 31 of each year. Applicants are required to submit such application forms, which are still being developed, and supporting materials as you deem appropriate. The amount and number of scholarships will be determined by your selection committee. The scholarships are generally for a one-year period but may be shorter or longer depending on the facts and circumstances and are not renewable. A previous recipient would have to file a new application.

Generally, the scholarship funds will be paid by you directly to the educational institution that the recipient attends. If for any reason, the scholarship is paid to a person other than the educational institution, you must receive a report on the progress of each recipient of the scholarship at least once a year. This must include a summary of the use of the scholarship funds awarded, the courses taken, and grades received in each academic period. Furthermore, this report must be verified by the educational institution that the recipient attended.

Your scholarship selection committee will consist of 3 or more individuals. Each individual will receive x dollars a year. Every member of your selection committee will adhere to your relevant policies as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Every member of your selection committee shall be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others. Any disqualified person, including relatives of members of your selection committee, or of your officers, directors, or substantial contributors are not eligible for your scholarships.

Details for Grants under IRC Section 4945(g)(3)
The purpose of C is to provide grants for tutoring or similar educational purposes designed to enhance a talent or skill of the grantee.

Under C, your grants will be open to youths under the age of 18 who are within the E program and on whose behalf the administrators of E recommend for a specific purpose, whether for tutoring or other educational purposes designed to enhance their talents or skills that will materially improve their chances of success in life.

Selections will be made on an objective and nondiscriminatory basis.

Grantees can apply any time with a written application. Grants will either be made directly to the tutor or other service or product provider relating to the purpose of the grant or to E on behalf of the individual. The amount and number of grants will be determined by your selection committee. The grants are generally for a one-year period but may be shorter or longer depending on the facts and circumstances and are not renewable. A previous recipient would have to file a new application.

Your grant selection committee will consist of 3 or more individuals. Each individual will receive x dollars a year. Every member of your selection committee will adhere to your relevant policies as they may be adopted and amended from time to time, including without limitation a conflict of interest and confidentiality policy. Every member of your selection committee shall be obligated to disclose any personal knowledge of and relationship with any potential grantee under consideration and to refrain from participation in the award process in a circumstance where he or she would derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected over others. Any disqualified person, including relatives of members of your selection committee, or of your officers, directors, or substantial contributors are not eligible for your 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