



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

Date:
04/07/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202527017
Release Date: 7/3/2025

LEGEND

UIL: 4945.04-04

B = High School
j dollars = Scholarship Amount
k = Number
m = Number

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 graduating high school seniors who attend B and have been accepted to attend either an accredited two-year or four-year college/university or a vocational degree/certification from an accredited institution. The purpose of your program is to aid students with their expenses who have worked diligently in school and have been involved in their community, to attain an education beyond high school.

To be eligible for scholarship, the student must:

- be a at least a high school senior at the time of application
- provide proof of acceptance to the selected institution which the applicant will attend
- be admitted as a full-time student

You will rate applicants based on the following criteria:

- cumulative grade point average during high school
- leadership activities and experience
- short essay
- two recommendations, one of which should be from someone associated with B and second one from a member of the community.

Your scholarship program will be publicized through direct e-mail correspondence sent directly to the high school guidance counselor of B. This will include details of the scholarship, eligibility requirements and an application form.

Your selection committee consists of a minimum of three foundation board members who have volunteered to review applications. Your committee members will be replaced on an as needed basis. Relative of members of the selection committee, or of your officers, directors, or substantial contributors, will not be eligible for awards.

You intend to award j dollars with up to k scholarship per school year. The number of scholarships given will rise by k each year until you will award m scholarships each year. Each scholarship is an annual award, which may be renewed for up to three additional years. Your funds will be disbursed directly to the recipient's educational institution after certification from the institution of applicant's enrollment and copy of the award. In order to maintain and qualify for the annual renewal of the scholarship award, you will require that each scholarship award recipient maintain an overall grade point average of 2.5 GPA and attend or be enrolled in an accredited two- year or four- year college/university. Additional renewal procedures include reviewing the recipient's official grade transcripts from their college/university or vocational program evidencing their GPA and enrollment as a full-time student.

Your scholarship awards will be made directly to the institution on behalf of the recipient so that the institution will apply funds only for enrolled recipients who are in good standing with the institution. If the recipient violates the conditions of the scholarship, fails to renew their award or otherwise discontinues their enrollment at the institution, you will discontinue the scholarship. In the event a recipient falls below the minimum GPA requirements to maintain the scholarship, you will provide the recipient the opportunity to raise their GPA to the minimum GPA during the following semester before any revocation of the scholarship will occur. Revocation of scholarships will be on case- by-case basis considering GPA, course load and other factors.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded. You will investigate diversions of funds from their intended purposes. You will take all reasonable and appropriate steps to recover diverted funds, 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether 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.

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