



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: 202527023
Release Date: 7/3/2025

LEGEND

B = Website
C = Program
D = Number
E = Number
y dollars = Dollar

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 program which provides scholarships to individuals, including high school, college and graduate school students. Your scholarship program seeks to enable people with intellectual and/or developmental disabilities in pursuing education.

You award up to D scholarships annually to individuals for courses at schools or accepted for credit at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii). Grants awarded will be up to y dollars per recipient. The scholarships will ordinarily be awarded for a one-year period and are renewable. Recipients

must submit a new application annually if they wish to renew their scholarship. You publicize your scholarship program via your web site at B and also with email marketing. You anticipate that up to E eligible applicants will apply annually. Your only eligibility requirement is that applicants must be a part of the C .

Your selection criteria will be based on the following:

- a) Financial need - All recipients of scholarships must be enrolled in the C, thereby meeting income/asset limits.
- b) Prior academic performance
- c) Performance of each applicant on tests designed to measure ability and aptitude for educational work
- d) Recommendations from instructors of such applicant and any others who have knowledge of the applicant's capabilities
- e) Additional biographical information regarding an applicant's career, academic and other relevant experiences
- f) The grant selection committee's conclusions as to the applicant's motivation, character, ability, or potential.

You will appoint all members of your selection committee charged with the evaluation of candidates for scholarships. Every member of the selection committee must adhere to your relevant policies, as they may be adopted and amended from time to time, including without limitation your conflict of interest and confidentiality policy. Each member of your selection committee must disclose any personal knowledge of and relationship with any potential recipient under consideration and 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 recipient(s) are selected over others.

You will pay scholarship grants directly to the educational institution for the use of the recipient. The educational institution must agree in writing to use the grant funds to defray the recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the scholarship. The scholarship grant must be used only for qualified educational expenses. No part of the scholarship grant shall be used as payment for teaching, research, or other services by the recipient. If for any reason, a scholarship grant is paid directly to the recipient or anyone other than the educational institution, or if the scholarship grant is used for expenses other than qualified educational expenses, you will require the recipient to submit a progress report at least once each year. This report must include a summary of the use of the funds awarded, the recipient's courses taken, and grades received in each academic period. This report must be verified by the educational institution. A final report is also required.

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.
- 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