



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

Date:
05/06/2025
Taxpayer ID number:

Person to contact:

Release Number: 202531017

Release Date: 8/1/2025

LEGEND

B = Country

C = Area

D = Number

E = Number

x dollars = Amount

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) 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 scholarship programs to provide grants for study within the B at qualifying post-secondary educational institutions and/or to achieve a specific objective, produce a report or other similar product through a non-traditional institute. Both programs are focused on providing financial support to any students within your local community of C who apply and, on a merit basis, demonstrates good

character and commitment to community service. You will publicize both programs by word of mouth in the community and with other local non-profits.

IRC Section 4945(g)(1)

Specifically, your program under IRC Section 4945(g)(1) is designed to award grants to students who are pursuing, or intend to pursue, a degree at a post-secondary institution. You anticipate awarding over D scholarships each year but may adjust the amount depending on your yearly budgets and number of applicants. Approximately x dollars per semester, or y dollars per year, will be awarded to each recipient. The amount may vary depending on the needs of the students, terms of enrollment at particular institutions, the number of eligible applicants, and your annual budget. To be eligible, students must come from within your local community and submit an application packet that includes the following:

- At least one letter of recommendation attesting to their character and community engagement;
- A completed essay prompt that highlights their commitment to country and community; and
- Proof of high school completion in the form of a transcript or G.E.D. certificate.

Your selection committee will evaluate each applicant and make their selections based on academic performance, community service, and character. Financial need may be considered but will be based on the student's representation of their need for the funding. Grants will be used to cover qualifying expenses such as tuition, books, academic fees, and related academic expenses. Students will be able to apply for a renewal of their grant each year while they are pursuing their degree. You will require proof of enrollment and good standing in the form of transcripts from the institute and consider their academic performance. The essay portion of your application will change each year but continue to be focused on the student's community service.

You will pay the grant directly to the educational institution prior to the beginning of each academic year in the fall, or as stipulated by each institution. Recipients receiving a grant per semester, or by installments, must be in good academic standing with the institution to receive additional payment(s). The institution will apply the grant funds to the student's account for enrolled recipients and provide proof of good standing before payments are made. You will withhold any future payments for students not in good standing and notify the student. In this scenario, the student may not re-apply for a grant without your written consent given in advance.

IRC Section 4945(g)(3)

Specifically, your program under IRC Section 4945(g)(3) is designed to award grants to students who chose non-traditional educational or career paths, such as at trade or vocational institutions, that are outside the scope of qualified tuition and related expenses at an educational organization described under IRC Section 170(b)(1) (A)(ii) and/or outside the scope of IRC Section 4945(g)(1). Such grant will be used to improve or enhance the skills of individuals to include those participating in apprenticeship, certification, or licensing programs in various trades. To be eligible, students must come from within your local community and submit an application packet that includes the following:

- At least one letter of recommendation attesting to their character and community engagement
- A completed essay prompt that highlights their commitment to country and community
- Proof of high school completion in the form of a transcript of G.E.D. certificate
- A detailed proposal of their course of study.

You plan to award at least E grant to a student per year who has chosen a non-traditional vocational or trade program. The amount may be up to y dollars in a fiscal year but will not exceed the total cost of the program. Funds will be paid directly to the institute upon proof of enrollment. Disbursements will depend on the institute's payment schedule. The number and amount of the grant may vary each year due to the number of applicants, needs of the students, terms of enrollment at particular institutions, the number of eligible applicants, and your annual budget. Students will be able to apply for a renewal of their grant each year through an

informal assessment of their prior work at the institution and show proof of enrollment and good standing.

Your selection committee will evaluate each applicant and make their selections based on their proposal, community service, and character. Financial need may be considered but will be based on the student's representation of their need for the funding. Students will need to sign an agreement that stipulates when reports are due to you. Upon conclusion, students will need to submit a final report, presentation and any certificates awarded to them to confirm successful completion of the program.

Selections for both of your grant programs are made by the same committee. The committee is made up of your Board of Directors. No members or relatives of your selection committee, or of your officers, directors, creators, trustees, foundation managers or substantial contributors are eligible to apply or receive your grant(s).

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.
- The effective date of our approval is _____, which is the date your request was submitted
- 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