



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

Date: 12/19/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202311009

Release Date: 3/17/2023

LEGEND

UIL: 4945.04.04

X = Scholarship Program

y dollars = amount

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 called X. The purpose of X is to advance education by assisting student athletes with educational costs for textbooks and study materials. The program is open to high school graduates who plan to attend a 2-year or 4-year college or university, or a technical/vocational institution. Amounts are one-time, non-renewable awards of y dollars and the number of scholarships awarded varies annually on the number of applicants and available funds. The program is publicized on your website, various social media/internet platforms, and via local high school counselors.

To be eligible and considered for X, applicants must:

- Have at least a cumulative 3.00 grade point average on a 4.00 scale
- Provide proof of admissions to a college/university or trade school
- Provide a high school transcript
- Write an essay detailing how they intend to use their talents and education to make the world a better place for all
- Provide a letter of recommendation
- Complete a personal summary statement
- Complete all portions of the application

Scholarship recipients are selected according to merit on a competitive basis. Your scholarship committee reviews the individual applications and essays and assigns a comparative score to make an unbiased selection. Awards are given without regard to race, color, creed, religious, sex, disability, or national origin. Your board and committee members and their relatives are not eligible for scholarships and are required to annually sign conflict of interest and confidentiality forms to ensure the objective and unbiased awarding of funds.

Your scholarship committee consists of your board of directors. Their responsibilities include monitoring general scholarship conditions and procedures and ensuring funds are properly awarded, delivered, and used as intended. Awards will be provided directly to the student two weeks before the upcoming semester/quarter. Prior to checks being disbursed, proof of enrollment in a qualifying institution must be provided. If necessary, you will make checks payable to the school and the student with instructions for it to be specifically used for student books. Applicants are required to inform you if they no longer meet qualifications of award or if they unenroll. If terms are not adhered to, the student may be responsible for reimbursing the funds.

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

Enclosure: Letter 437