



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

Date: 09/12/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202249024

Release Date: 12/9/2022

UIL: 4945.04-04

LEGEND

B = Number

C = Counties

D = State

E = Organization 1

F = Organization 2

x 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 by providing up to B scholarships to high school seniors, graduates, or GED recipients who plan to enroll in part-time or full-time undergraduate study for the first time at an accredited two-year or four-year college/university or vocational/technical school. The scholarship amount for each recipient is x dollars per year and it is renewable up to maximum of 3 years or until a bachelor's degree is earned, whichever occurs first. Fewer or no scholarships may be rewarded in a particular year due to funds availability, lack of qualified applicants, or other factors. You will utilize F to review

applications, select recipients, and provide overall administration of the program to ensure unbiased selections. The program will be publicized through multiple channels including E's website and social media pages, press releases, fliers, and outreach to guidance counselors.

Applicants must upload their transcripts as part of the application. To be eligible for a grant, the applicant must be:

- A high school senior, graduate, or GED recipient,
- Planning to enroll in part-time or full-time undergraduate study for the first time at an accredited two-year or four-year college/university or vocational/technical school for the entire academic year,
- Having a minimum grade point average of 2.5 on a 4.0 scale or equivalent, and
- A resident of C counties in the state of D

The specific criteria for the selection of scholarship recipients include:

- Financial need,
- Academic performance,
- Demonstrated leadership,
- Participation in school and community activities,
- Work experience,
- A statement of career and educational goals and objectives, and
- Unusual personal or family circumstances

A preference may be made for students who come from a single parent/head of household family. Provided there are eligible applicants, your intent will be to award scholarships to at least one resident from C counties.

In order to renew, the scholarship recipients must maintain a cumulative grade point average of 2.5 on a 4.0 scale (or its equivalent), either full-time or part-time enrollment, and be in good standing with their educational institution. Renewal applicants must also upload their transcripts.

Scholarship recipients will be instructed to provide their award letter to the educational institutions. If the educational institutions have any questions regarding how the funds should be applied, they are directed to contact F. If the student doesn't matriculate, the educational institution will not accept the check. If the student drops out, the educational institution will send a refund to F. The scholarship check will be sent to the recipient and made payable to the educational institution.

Employees of E and their families are not eligible for the scholarship.

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