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

Date: 08/14/2023

Taxpayer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202345015
Release Date: 11/10/2023

UIL: 4945.04-04

LEGEND
X = Organization
Y = Recipient
Z = Place
b grants = Number
c dollars = Dollars

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 an educational scholarship program for entering or current law school students who are interested in serving the needs of the Y community locally and nationally.

Eligible applicants are current or entering, full or part time, law students. There are no limitations on the geographic location of the school. The awards will be publicized through the X website, social media, X electronic mailing list, and flyers provided to law schools.

Selection criteria includes past, present, and future community service or public interest work for the Y community or other underrepresented communities; demonstrated leadership in the Y community; demonstrated financial need; and past, present, and future commitment to Z. In, the scholarship application will include the following essay prompt(s): What are the most significant experiences in your background that have shaped and demonstrated your commitment to serving the needs of the Y community? How will you serve the needs of the Y community in your future career?

You will "open" an application period for a set amount of time and consider those applications that come in within that period. There will be no financial threshold, but rather the selection committee will consider any statements or representations made in the student's application regarding financial need or challenges when making an award decision.

Members of the selection committee/ X Board will not be eligible as the X Board must be comprised of licensed lawyers. Relatives of Board members will be eligible, but the Board member must recuse themselves from participating in the selection process for the scholarship in which the relative has applied. Along with the committee, if there is a sponsor for a scholarship, the sponsor or representative will be invited to participate in the selection process. They will be invited to read, review, and discuss the applicants with the selection committee. They will have only one vote. X anticipates sponsors will be entities or grants, not individuals. However, if an individual would like to sponsor a scholarship, then relatives of that individual will not be eligible to apply for the sponsored scholarship.

You plan on awarding b grants annually. The grants amounts are for up to c dollars to individuals. The awards will each be made on a one-time basis per application period, and each paid as one lump-sum. The monies will be sent directly to the educational institution(s) on behalf of the recipient(s) to be used for tuition or other educational expenses.

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