



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

Date: 03/21/2024

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202424023

Release Date: 6/14/2024

LEGEND

B = County

C = Rural State Area

D = Aid Program

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). 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 to connect, fund, and advocate for ideas and people to inspire resourcefulness and move rural places forward. Your purpose is to aid individuals by grant making that either provide expanded educational opportunities to disadvantaged persons or serves to increase the capacity and skills of rural workforces. Scholarship program awards will vary in their timing, purpose, and scholarship amount granted. Determination of the amount and number of scholarships will be based upon the amount of funds available and the specific purposes of each taxpayer's individual scholarship program. All initial grant making and potential renewals will be renewed on a case-by-case basis and all cases shall be undertaken with objective and nondiscriminatory criteria.

The following are those that are eligible for your scholarship program:

- (1) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree
- (2) full-time or part-time students who may receive a scholarship for study at an educational institution that either provides an educational program acceptable for full credit towards a bachelors degree or higher degree, or offers a training program or vocational courses to prepare recipients for gainful employment in a recognized occupation
- (3) students enrolled in remedial or developmental courses at educational institutions that prepare them for full credit degree or training programs

Scholarship opportunities will be advertised broadly through a variety of communication channels which may include traditional media outlets as well as contacting high schools, colleges, graduate school administrators, church pastors, coaching staff, managers, and leader of relevant community and governmental institutions for them to encourage potential candidates to submit applications for a scholarship.

Eligibility criteria may include some combination of the applicant's financial need, place of residence, past or future attendance at a particular school, past or proposed course of study, and evidence of the applicants artistic, scientific, or other special talents or attributes which will contribute to your mission of enhancing philanthropic contributions that inspire resourcefulness and move rural places forward.

Applicants will be required to submit an application which will require (depending on the scholarship program) specific attachments. These may include letter(s) of reference, financial information, statement of goals, transcripts, and other information deemed relevant to the type of scholarship that is to be awarded.

Review of applications and selection of awardees will be made either by your staff or an independent selection committee that has been selected and authorized by your board. In either case the arbiters will review all materials collected concerning each applicant for scholarship.

The specific criteria used to evaluate applicants may include:

- Prior academic performance
- Performance on tests designed to measure ability and aptitude for educational work
- Recommendations from instructors and any others who have knowledge of the applicant's abilities
- Additional biographical information regarding an applicant's career, academic and other experiences, goals, etc.
- Indicators of applicant's financial need
- Conclusions which may be drawn as to the applicant's motivation, character, ability, or potential

You have diligent procedures in place to assure no favoritism will be afforded to any applicant who has personal connections to those participating in selection scholarship recipients. Recipients will be notified of their selection and will sign an agreement regarding the terms of the scholarship. No part of the scholarship may be used as payment for teaching, research, or other services by the scholarship recipient either as a condition for the grantee's receiving the scholarship or maintaining opportunities at the educational institution or training program.

Scholarships will (a) usually be paid directly to the recipient's educational institution or training program and will require the institution or training entity to agree to use the scholarship for recipient's expenses or the pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution or

training entity and the student's standing there is consistent with the purposes and conditions of the scholarship

(b) In the case of the grants not paid to the educational institution or training entity, you will receive at least annual reports from the grantee. This annual (or more frequent) report will require a summary of the use of funds awarded, recipients' courses taken (if any) and grades received (if any) in each academic period, with verification by the educational institution. A final report will also be required shortly after the expiration of the grant period.

If you learn that any part of a scholarship was not being used to further the purposes of your specific scholarship program, action will be undertaken to have the scholarship agreement immediately terminated. In such instances, all reasonable and appropriate steps will be taken to recover any scholarship funds that were expended improperly, to the extent such recovery is practical.

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).

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.
- 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