



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: 202424025

Release Date: 6/14/2024

LEGEND

UIL: 4945.04-04

B = Counties

C = State

x = Number of Grants

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 program to award scholarships to gifted, underprivileged students in the counties of B in the state of C. Scholarship funds will be used to defray the costs of full-time or part-time undergraduate or graduate-level study at a qualified educational institution. Scholarship funds will be awarded on a non-discriminatory and objective basis. High school or college students whose permanent residences are in the counties of B, or are enrolled in school or plan to matriculate at a school located in the counties of B, who

are in need of financial assistance to defray the cost of attending college or graduate school will be eligible for your program. Grants will only be awarded to actively matriculating students who show potential for success. No individual will be permitted to receive grant funds if he or she has any relationship with a disqualified person as to your organization, or any individual with the power to make a grant selection.

Grant recipients will be selected based on financial need, academic performance and potential (evidenced, in part, by official transcripts), recommendations from instructors, the submission of a personal statement, and an interview by your selection committee of the individual (and potentially his or her family). In order to substantiate the individual's financial need, grant candidates may be asked to provide information consistent with that requested in the Free Application for Federal Student Aid (FAFSA).

You will award such number of grants deemed appropriate per year, making the decision to award funds on the basis of the quality of the applicant in any particular year (as opposed to a predetermined number of awards). Currently, you do not anticipate awarding more than x scholarships per year.

The amount of each grant will be tailored to the extent of the financial need of the grantee, as you determine on a case by case basis depending on funding already received by the individual from other sources. You will publicize the availability of your scholarships primarily through schools in the areas of the counties where grantees are expected to matriculate, as well as through websites that maintain databases of similar scholarships.

In your sole discretion, grants may or may not be renewed. If a grant is renewed, the grantee will be required to provide a transcript, proof of ongoing enrollment, and a progress report. At the conclusion of every academic year, each grant recipient will be required to submit a progress report setting forth how the granted funds were used and providing an official, verified transcript showing proof of academic performance (including courses taken and grades received). In the event these reports are not made, you will investigate (and, during such investigation period, will make no further payments to the grantee) and, if necessary, take all reasonable corrective action, which may include an attempt to recover any misused funds or ensure the restoration of diverted funds. Further, to the extent that funds are used for purposes other than those for which they were granted, an individual will become ineligible to receive additional grants.

Your initial selection committee will be composed of your two sole directors. Acting jointly, they will have the power to appoint additional members of the selection committee, as well as remove, replace, and designate successors to such individuals. Your directors may solicit nominations for grants from highly-qualified educators and other professionals in the educational field. Neither director will receive any benefit from the award of any scholarship, nor will any future member of the selection committee or any of your disqualified persons.

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