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

Date:
11/27/2024
Taxpayer ID number:

Person to contact:

Release Number: 202508009
Release Date: 2/21/25

LEGEND
B = Name
C = Name
D = City
E = Numbers
F = Name
G = Name
J = Name

UIL: 4945.04-04

x dollars = Amounts
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 two college scholarship programs. The purpose of your programs is to award scholarships to economically disadvantaged youth. Your purpose is to benefit at risk youth and their

families who reside in and around the D area as well as to assist low to moderate income elementary, middle and high school students in D.

Program 1
The purpose of Program 1 is to award nonrenewable scholarships for students who graduate from B and/or C to help them defray student expenses for tuition, room and board, books, student fees, etc. Under this program, recipients must have graduated from B, a private high school and/or C, a private grade school. Both schools serve students of limited resources in the D area and have income threshold requirements. In addition to graduating from B and/or C, you will require B applicants reside in the G area, which is situated near several public housing projects. Under this program, you plan to annually award E scholarships in the range of x dollars.

To publicize this program, you will contact B graduating seniors who are accepted into college programs. Further, C makes every attempt to track their students' high school careers. You will use this information to reach out to any student who graduated from C and has been accepted to a

Under this program, recipients will be selected by a selection committee consisting of your board members who will consider financial need and recommendations from the schools. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors will not be eligible for awards made under any of your programs.

All scholarships will be paid directly to educational institutions to defray expenses for tuition, room and board, books, student fees, etc. You will obtain records and transcripts from recipients as well as from the college/ university.

Program 2
Under Program 2, you will annually award one renewable scholarship for y dollars called F. The purpose of F is to honor a graduating student from B who best embodies the true spirit of J by making a positive contribution to the culture and organizational life of B, bringing joy, hope, and inspiration to all, and continuing the legacy of humble service demonstrated by one of your founders. B is a private high school and serves students of limited resources in the D area and has income threshold requirements. Proceeds from F must be used for tuition, room, board, and books while attending a qualified four-year college or university.

In order to be eligible for F, the recipient must be a graduating senior from B who has been accepted at a four-year college or university and be nominated by B staff. There is no formal application process. To select the F recipient, there will be a graduation committee comprised of teachers, faculty, and staff from B who will gather and discuss nominations. They will advance finalists to you for consideration. You at your discretion will award F to the student who best exemplifies the spirit of J and demonstrates the greatest financial need.

Relatives of members of the selection committee, or of your officers, directors, or substantial contributors will not be eligible for awards made under any of your programs.

Payments are made directly to educational institutions to defray expenses for tuition, room and board, books, student fees, etc. You will obtain records and transcripts from recipients as well as from the college/university.

In order to renew F, the recipient must be registered for a minimum of nine credit hours per semester and maintain a GPA of 2.00. Recipients are also required to check in periodically during each semester to ensure that they are meeting the requirements to maintain the scholarship. Violating the requirements or failure to maintain good standing with the college/university will prohibit the student from renewing the scholarship.

Recipients may take up to six years from their initial enrollment date to complete their degree program.

Oversight for Both Program 1 and Program 2

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