



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

Date:
1/30/2025
Taxpayer ID number:
Person to contact:
Name:
ID number:
Telephone:

Release Number: 202517023
Release Date: 4/25/2025

LEGEND

UIL: 4945.04-04

B = City, State
C = Schools
D = number
G = minimum GPA
H = maximum GPA
J = minimum GPA
y = \$ 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 under IRC Section 4945(g)(1). You will award

scholarships to high school seniors from the B area based on both merit and financial need. The purpose of the scholarships is to assist students with college or university tuition payments and related student fees. Any surplus may be used for room, board, and living expenses. Applicants from the following high schools are eligible for consideration: C. You may expand the pool of eligible local high schools if more are opened in the B area in the future.

You will award no more than D new scholarships per year. The value of each scholarship awarded will range from y. The scholarship payments will be paid directly to the college or university attended by the recipient. To promote your scholarship program, you will distribute applications and brochures to the local high schools identified above.

To be eligible for your scholarship, an individual must:

- Be a graduating high school senior from one of the B area high schools listed above who intends to pursue a degree at an accredited college or university in the United States
- Complete your scholarship application demonstrating prior academic performance and financial need
- Submit the application with all necessary supporting documentation within the required timeframe

You currently consider up to two nominations per year from each of the B area high schools listed above. In the future, you may consider more nominations per school. You will select recipients primarily based on prior academic performance and financial need. Additionally, you will conduct an evaluation of an applicant's likelihood of academic success as evaluated via a letter of recommendation from a teacher, mentor, or high school counselor, an interview with members of your Board of Directors, and a written letter from the applicant explaining their future goals and past accomplishments. All scholarships will be awarded on an objective and non-discriminatory basis.

Your directors will serve as the selection committee, and members of the committee will serve concurrent with their service on your Board of Directors. Your directors and officers, your substantial contributors, and family members of such individuals are not eligible for your scholarship program.

Your scholarships are eligible to be renewed. The renewals will be for the duration of the recipient's time in college or university, for a total of up to three additional years. To be eligible for renewal, a recipient must:

- Remain enrolled and in good standing at their school
- Maintain a cumulative grade point average of at least G on a H scale during the first academic year and at least a J on a H scale for each year thereafter
- Submit an official transcript from the college or university attended
- Submit a written letter explaining their progress to date and future goals
- Complete your renewal application and submit it within the required timeframe

You will supervise and monitor the recipients' use of the funds through reports received from the individual scholarship recipients. Report should include a copy of the recipients' official transcript at the end of each semester. If you receive any information indicating that any part of the grant is not being used for its intended purposes, you will investigate and take all reasonable and appropriate steps to recover the funds.

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.

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