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

Release Number: 202521031
Release Date: 5/23/2025

Date:
02/27/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

UIL: 4945.04.04

LEGEND
B = Minimum Number of Scholarship
C = School Districts
D = Colleges and Universities
E = Scholarship Program
F = Range of Eligibility
G = Number Eligible
J = Test
y dollars = Total Amount
z dollars = Increment 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 which will award at minimum, B financial

scholarship of y dollars to a graduating high school senior attending one of C school districts and intends to pursue a baccalaureate degree as a full-time student from one of the following institutions: D or local affiliate campus. The scholarship will be distributed in increments of z dollars per semester, up to four years, and contingent on the fulfillment of specific ongoing requirements.

The name of the program is E. The purpose of E is to provide meaningful financial and mentoring support to graduating high school seniors. The number of graduating seniors in the applicable high schools would range from F students. Thus, we estimate the number of eligible applicants to be G students.

The application will be published on your website and provided to local high school counselors. Participants will need to submit a completed application, including all required supporting documentation, and must be postmarked on or before a predetermine date. A complete application package would include:

1. Application form
2. Essay response of 500-600 words explaining how you think the J applies to you as a student and how it will apply to you as a future leader.
3. All information is to be typed written in Times New Roman 12-point font and double spaced.
4. The applicant's high school transcript with fall semester final grades and current class ranking.

Finalists will be required to participate in an in-person interview with the E committee to be considered for selection. You will consider the following criteria in selecting recipients: future plans and career goals, financial need, academic achievement, previous awards, extracurricular activities and an essay submitted by the applicant. The recipients are selected by a committee consisting of members of E. The committee reviews all applications and narrows the field to finalists.

Your scholarship program will be conducted and publicized under your direction. Your scholarship committee comprised of member within your local committee will award decisions. No members of your board now serve or will serve on the scholarship committee.

All scholarship recipient(s) will be notified by the scholarship committee chair. Scholarships will be formally presented to the student(s) and family at a banquet and during the banquet, one of your members will be assigned as a mentor.

Prior to receiving the first installment, the recipient(s) must present a first semester class schedule. Thereafter, proof of grade performance including GPA and class schedule for the following semester must be submitted to receive additional installments. You will keep records of the recipient's grades for each covered semester, dates of function attendance and contacts with mentors. Further, the primary safeguard is that the payments are made directly to the applicable college or university for credit to the recipient's account. The funds are never handled by the student/recipient. This safeguard is in place to ensure that the funds will not be misused.

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