



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

Date:
03/31/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202526016
Release Date: 6/27/2025

LEGEND

N = Number
M = Number
x dollars = Dollar
y dollars = Dollar

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b)).

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a program that provides two types of grants to qualified individuals: (1) scholarship grants under IRC Section 4945(g)(1) for study at a college to pursue a major that suits your mission statement, and (2) grants for travel, study, research and similar activities to improve a particular skill under IRC Section 4945(g)(3). The purpose of the grants is to improve or enhance the recipient's literary, artistic, musical, scientific, faith pursuing, or other similar skill set and capacity that ultimately benefits society and the general public. The grants awarded will both range between x dollars and y dollars per recipient. You estimate that

between M eligible applicants will apply for the grants annually. You publicize your grant programs through the following channels and venues: (1) your website, (2) local church, community center or library, and (3) social media accounts.

Section 4945(g)(1) Program

You award N scholarship grant annually to individuals for courses at schools or accepted for credit at schools recognized under IRC Sections 509(a)(1) and 170(b)(1)(A)(ii).

Eligible applicants are students graduating high school to attend college or vocational school who:

- Provide a personal statement showing their career interest in developing skillsets and knowledge that fit into your mission statement, and
- Produce annual progress reports of their study or field work, if applicable

Section 4945(g)(3) Program

You award N grant for travel, study, research and similar activities to improve a particular skill annually to be used toward study and research activities that are outside of the normal school year.

Eligible applicants:

- Completed their college school year with a satisfying GPA
- Provide a letter of recommendation from a professor or advisor, and
- Generate a study proposal to demonstrate the willingness and ability to pursue a field that suits well with your mission statement.

For Both Programs

Recipients for both grants are selected based upon:

- Prior year GPA
- Financial need request with appropriate evidence, and
- A personal statement showing the sincerity and seriousness of completing the collegiate or vocational study and starting a feasible career.

Your grant selection committee will include your board members and include at least one external advisor or independent committee member who possesses an adequate skill set and experience and who provides impartial perspective throughout the selection process. No members of the selection committee or their relatives will be eligible to apply for your grants.

Recipients that wish to renew their grant must:

- Provide an official school transcript with relevant course studies that are conducive to their career path,
- Achieve a minimum cumulative GPA of 3.0
- Exhibit a reasonable effort to pursue a career that benefits the broader community.

Your grant disbursement procedures are as follows:

- a) Grant Agreement: You and each grant recipient sign such an agreement that outlines the terms and conditions of the scholarship or grant, including the purpose, amount, payment schedule, reporting

requirements, and how the funds should be used. The grant agreement specifies that any diversion of funds from their intended purpose will result in the cancellation or termination of the scholarship or grant.

- b) Two-Stage Disbursement: You distribute 50% of the grant upon signing the grant agreement and the remaining 50% after the recipient has submitted progress reports approved by the academic advisor or professor (such as a midterm exam result or research project outline report) within six months of the first disbursement.
- c) Electronic fund transfer: The funds are usually transferred electronically to the recipient's bank account or issued as a check to the recipient. You may ask for banking details or provide specific instructions for receiving the funds.
- d) On-going monitoring: To ensure that the funds are used by the recipient to further your mission and goals, you perform due diligence such as
 - 1) Request and review the expense receipts related to tuition, fees, living expenses, and allowance for travel, research and equipment,
 - 2) Perform on site visits to see firsthand how the funds are being utilized, or
 - 3) Review and assess the mid-stage progress report.

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.

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.

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