



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

Date:
04/01/2025
Taxpayer ID number:

Person to contact:

Release Number: 202526019
Release Date: 6/27/2025

LEGEND

UIL: 4945.04-04

T = Name
U = School District
V = State
W = Number
X = Number
Y = Number
s dollars = dollar range
z dollars = dollar range

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 named T that is designed to provide financial assistance to high school seniors graduating from a school located within U. You plan to publicize the availability of grants by working with guidance counselors at U high schools who will share the scholarship opportunity through email blasts to students and by posting the scholarship information to their school's internal

communication systems. You may also post information about the scholarship opportunity on your website and social media channels.

To be eligible for a grant under your program an applicant must:

- Be a high school senior graduating from a high school in U.
- Have a minimum cumulative weighted GPA of 2.5 on the state of V's grading scale.
- Be accepted and planning to enroll at an accredited college, university, or trade/technical school located in V.
- Demonstrate financial need.

To apply for a scholarship under your program, eligible students must submit a completed application form along with:

- A recent copy of their high school transcript.
- Proof of acceptance to an accredited college, university, or trade/technical school located in V.
- A personal statement that responds to the following prompts:
 - Explain why the student should receive the scholarship including commentary on any hardships or obstacles that would hinder them from pursuing higher education and achieving their goals if they did not receive financial assistance.
 - How could this opportunity affect their life and possibly the lives of their family?
- Two letters of recommendation from non-family members, preferably a current or former teacher, mentor, or other adult involved in the academic life of the applicant must also be submitted.

The program's Selection Committee will initially be composed of the three members of your Board of Directors. An initial screening of all applications will be conducted by one of your employees to ensure each application is complete and, to confirm all necessary supporting documents have been provided, and to verify the applicant's eligibility. Once screening has been completed the surviving applications will be reviewed and ranked by the members of the Selection Committee.

The following are the specific criteria that the Selection Committee will use to select grant recipients under the program:

1. Financial need or other hardship as described by the applicant in their personal statement.
2. Potential for achieving success or improved circumstances if financial obstacles to professional training or higher education are eliminated.
3. Commitment to persevering in challenging situations and seeking opportunities for growth, as demonstrated through the applicant's personal statement.
4. Field of study.
5. Academic merit as evidenced by the student's high school transcript.

You hope to award at least one scholarship to a student pursuing a degree in education each year. There will be no discrimination based on race, ethnicity, gender, national origin, sexual orientation, or religion. You may give preference to applicants who are first-generation college students, defined as students whose parent(s) and grandparent(s) did not complete a college or university degree.

In the program's first year, you expect to award W scholarships, which would be distributed as follows: X scholarships to students pursuing a four-year degree (one from each of the high schools located within U), and Y scholarships to students pursuing a two-year degree or certification. Each recipient of a scholarship for a four-year degree program must enroll on a full time basis, according to the individual's school's definition of such status. Recipients of scholarships for two-year programs may attend on a part-time basis.

You plan to make approximately W new grants in each subsequent year of the program, to be similarly

distributed. However, you may vary the number of scholarship grants in future years based on the level of need and the availability of your assets. You do not plan to make any loans under the program.

The exact amount of each grant will be determined based upon the difference between the total cost per semester for the recipient's tuition, books, required supplies, and room-and-board, and any financial aid already received by the recipient (including other scholarships, grants, and state and federal financial aid package.) You anticipate that grants for two-year programs will range between s dollars per year and grants awarded for four-year programs will range between z dollars per year.

Prior to awarding scholarships under your program, you will compare the name of each potential grant recipient to the names of known terrorists by searching the database maintained by the Office of Foreign Assets Control.

Grants awarded under your program are renewable for the length of the grant recipient's degree or certification program. To be eligible for renewal, recipients must maintain college matriculation continuously with a GPA of 2.5 or above and be in full compliance with your reporting requirements. To receive renewal of a scholarship, the recipient will be required to submit a tuition bill for the coming academic year to you, along with any additional relevant financial information.

You will pay scholarship awards directly to educational institutions whenever possible. However, in cases where this is not possible, you will issue the grant payment directly to the student and implement appropriate follow up procedures to ensure proper use of the scholarship funds.

In cases where grant funds are paid directly to an educational institution, you will require each such institution to agree to use the grant funds to defray the grant recipient's qualified tuition and related expenses or to apply the funds otherwise for his or her benefit only if the grant recipient: (1) is enrolled at such educational institution and (2) remains in compliance with the institution's academic requirements necessary to obtain the desired educational degree. If a grant recipient fails to enroll, drops out, or fails to remain in compliance with the institution's academic requirements, such institution will be required to return all unused grant funds to you.

In cases where grant funds are paid directly to a grant recipient, you will require such grant recipient to provide an official transcript for each academic period. Such report must be verified by the educational institution attended by the grantee and must include supporting documentation substantiating the use of the grant funds. Such documentation shall include a receipt from the educational institution's bursar's office and, where grant funds were used to obtain books, supplies, and equipment required for courses of instruction, receipts for the purchase of such items. Upon the completion of the grant recipient's course of study, you will require a final report describing the grantee's accomplishments with respect to the grant and accounting for all funds received under such grant.

Should you fail to receive any of the required reports described above, or where such reports, or other information, indicates that all or any part of a grant is not being used in furtherance of the grant's intended purposes, you will withhold further payments, to the extent possible, during your investigation of the jeopardized grant. In the event of a misuse of funds, you will determine if the situation is a mistake and whether it can be corrected. If you discover that grant funds have been misappropriated, all reasonable steps will be taken to recover any diverted funds or to ensure that any unused portion is either returned or used for the intended purpose of the grant. Further, in any case where you have determined that grant funds have been misused, you will refrain from making additional disbursements and take further appropriate action as necessary.

Children, grandchildren, and other close relatives of your officers, directors, substantial contributors, and

disqualified persons as defined in IRC Section 4946 are not eligible for scholarships. Further, Selection Committee members and their close relatives are not eligible for scholarships.

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.

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
Letter 4792