



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

Date:

05/02/2025

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202530020

Release Date: 7/25/2025

LEGEND

B = State

C = State

y dollars = Scholarship amount

z dollars = Scholarship amount

UIL: 4945.04-04

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 to fund tuition and other approved education-related expenses. Your purpose is to aid high school seniors located within a specific geographical area by providing grants. Your scholarships will be awarded to chosen recipients who are enrolled in high education institutions and are graduating seniors within 18 months of receiving the award. Each scholarship recipient will be awarded a y dollars – z dollars non-renewable scholarship to be applied at an accredited two-year or four-year higher education program. The total amount of scholarships awarded will vary based on the availability of funds. Relatives of your board members and employees are not eligible to receive your scholarships.

You provided the following eligibility criteria for potential applicants to your scholarship program:

- Applicants must be high school seniors who are located within specifically-named counties in the states of B and C .
- Applicants must pursue a post-secondary education at an accredited two-year or four-year educational institution.
- Applicants must demonstrate a commitment to extracurricular and community involvement.
- Applicants must provide letters of recommendation from individuals in the academic arena.

Your scholarship program will be advertised broadly through various communication channels including your website, local college financial aid websites, social media platforms, and via targeted email campaigns. Information regarding your scholarship program will also be distributed directly to teachers and guidance counselors.

Applicants must submit a completed application along with required attachments including letter(s) of reference, proof of extracurricular activities, proof of community involvement and demonstrated leadership skills.

Your board of directors will review scholarship applications and select recipients. This process will consist of two rounds of selections and reviews.

You will select scholarship recipients based on the following selection criteria:

- Prior academic performance
- Demonstrated commitment to extracurricular and community involvement
- Recommendations from those in the education area
- Indicators of applicant's financial need
- Conclusions which may be drawn as to the applicant's motivation, character, ability, or potential

Scholarships will be paid directly to the recipient's educational institution and will require the institution to agree to use the funds for the recipient's expenses. If a recipient defers enrollment or withdraws from the institution in time for the scholarship to be refunded to you, the student will have one academic year to use the funds at the same or another eligible educational institution. If a recipient is unenrolled by the institution for any reason, including academic performance or disciplinary reasons, or withdraws without the scholarship being refunded to you, the scholarship will be forfeited.

If you learn that any part of a scholarship was not being used to further the purposes of your specific scholarship program, you will immediately terminate the scholarship agreement. In such instances, you will take all reasonable and appropriate steps to recover any scholarship funds that were expended improperly.

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.
- The effective date of our approval is April 17, 2024, which is the date your request was submitted.
- 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