



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

Date:
05/08/2025
Taxpayer ID number:

Person to contact:

Release Number: 202531018
Release Date: 8/1/2025

LEGEND

B = State
C = County
D = County
E = County
F = County

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 award educational scholarships to local students seeking a degree from an accredited community college, university, or trade school to defray the scholarship recipient's expenses. You anticipate on making one or two annual scholarships annually. The amount of the scholarship will be determined each year based on that year's budget and will be publicized on your website. Recipients of the scholarship funds are selected on an objective and nondiscriminatory basis.

You listed the following items as the eligibility criteria for your scholarship program:

- Applicants must have the following academic standing:
 - A current high school senior,
 - An undergraduate student the fall semester following high school graduation, or
 - A continuing undergraduate or graduate student at college or university, community college, or technical school
- Applicants must have displayed the following outstanding achievements in academics:
 - High school senior applicants must have achieved least a 3.0 GPA throughout all four (4) years of high school
 - Undergraduate and graduate student applicants must have an overall 3.0 GPA
- Applicants must be a native of any of the following B counties: C, D, E, or F.
- Applicants must have previously participated in athletics or are currently participating in athletics as a student in college.
- Applicants must provide a letter of recommendation.
- Applicants must complete and submit your scholarship application form.
- Applicants must submit a written essay not to exceed 1,000 words.

You listed the following items as the selection criteria for your scholarship program:

- Prior academic performance
- Past or current athletic participation
- Letter of recommendation
- Written essay

You grants are non-renewable. You will pay grants directly to the educational institution or the scholarship recipient. Scholarships are one-time gifts and you have set no terms that the recipient must abide by once the scholarship is gifted. Your selection committee will consist of your CEO and CFO.

You will maintain case histories showing recipients of your scholarships, including names, addresses, purposes of awards, amount of each grant, manner of selection, and any relationships to your officers, trustees, or donors.

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.

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