



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

Date:

04/07/2025

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202527022

Release Date: 7/3/2025

LEGEND

B = State

C = County

D = County

E = County

F = County

G = County

H = County

j dollars = Dollar

k dollars = Dollar

L = Number

m 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). 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 for graduating high school seniors entering college

in a 4- year degree program. You aim to empower and enable learners to pursue educational opportunities, leveraging your resources by increasing your impact across multiple constituencies and communities. You intend to establish a program to provide individual scholarships on an objective and nondiscriminatory basis to promising individuals to constitute a scholarship which would be subject to the provisions of section 117(a) and to be used for study at an educational organization described in section 170(b)(1)(A)(ii).

To be eligible for scholarship, the student must:

- Be a student at a high school in one of the following B counties: C, D, E, F, G or H,
- Be a high school student entering college in a 4-year degree program,
- Be academically competitive as demonstrated by the applicant's academic performance in his or her high school program,
- Be a US Citizen, and
- Demonstrate minimum financial need.

The following criteria are used to determine minimum financial need:

- A FASFA Student Aid Index of 13,000 or less,
- Financial unmet need of j dollars or more at their college of choice as determined by the Financial Eligibility Calculator, and
- A low to moderate parent Adjusted Gross Income.

In order to be considered for a grant applicants must submit:

- An official Transcript,
- Two recommendations,
- Student aid report from the FAFSA,
- Financial aid award letter from the college,
- Essays, and
- A resume.

Your scholarship recipients who meet the minimum eligibility criteria shall be selected on an objective and nondiscriminatory basis by your scholarship committee based on the following factors as demonstrated in their application materials:

- Strong & driven
- Resilient & determined to succeed
- Community oriented
- Family oriented
- Preference given to first generation college students.

You will promote the scholarship program at various events, websites, social media and other online outreach platforms. You will promote the scholarship program through outreach to your charitable partners and other organizations that serve youth and other populations whose participants and communities are eligible to apply for scholarship funds under your program.

Your selection committee, composed of your staff and board members, shall be responsible for selecting grantees. Your selection committee may, from time to time, also include various volunteers with knowledge of higher education systems and/or scholarship programs. Your board shall determine the composition of the Selection Committee from time to time based on recommendations from your charitable partners as well as other trusted community leaders. Your selection committee members will be required to adhere to a conflict-of-

interest policy that precludes his or her voting to award grants to relatives, business associates, or other close contacts. Your members of the selection committee will not receive any compensation for their service as such. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are eligible for awards made under your program.

You intend to award L scholarships of approximately k dollars annually. You award grants of varying financial value, depending on the need for financial resources described by the applicant to which you award the grant. Your initial recipients will be eligible to receive up to m dollars per year in tuition support, but you expect the maximum award amount to increase over time based on applicant need and cost of education.

Your scholarship recipients must maintain eligibility based on the criteria for which they were selected and must demonstrate compliance with the terms of the grant, to the extent specified in the grant award. Your scholarship recipients will be required to submit a renewal application each year and will be required to submit records of reimbursable expenses.

Your successful applicants will be notified of the grant award, including the amount, the time period during which it will be awarded, required reports or other deliverables, and any special conditions on use of the funds. All grant funds will be paid directly to the grantee or, at the Board's election, to one or more third parties for the grantee's benefit.

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