



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: 202531020
Release Date: 8/1/2025

LEGEND

B = State

j dollars = scholarship amount

k = number of scholarships

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 B high school seniors who wish to study science, technology, engineering, or mathematics on an undergraduate level. Your organization awards scholarships that strengthen the academic excellence of B students by supporting need-based scholarships and ensuring students acquire the skills and traits needed to solve unique challenges.

You listed the following eligibility criteria for your scholarship program:

- The applicant must be a B resident.
- The applicant must possess an unweighted freshman GPA of 3.5 or higher or an unweighted upperclassman GPA of 3.0 or higher.
- The applicant must demonstrate financial need on FAFSA.
- The applicant must achieve a 27 or higher ACT Math score and a 25 or higher ACT Reading, English and Science score.
- The applicant must participate in a scholarship interview.

You will rate applicants and select recipients based on the following criteria:

- The applicant's completed application form
- The applicant's completed minimum 500-word essay
- The applicant's two (2) letters of recommendation (One (1) of which must be from a math or science teacher)
- Any FAFSA Federal Aid Awards received by the applicant
- The applicant's academic transcripts
- The applicant's College Award Letter stating all aid offered to the applicant

Your scholarship program will be publicized by a variety of methods, which may include your website, websites managed by universities, websites managed by high schools, social media, and word of mouth. Your scholarship program is open only to B residents and your public outreach efforts will center on B.

Your selection committee consist of all members of your board of directors. Your selection committee will be appointed by your board and committee members may only be removed by your board. In the future, you may appoint other persons to the selection committee who have relevant experience, expertise or other qualifications that would allow them to contribute to the work of the selection committee. Your selection committee will exercise appropriate oversight to ensure that scholarship recipients are not "disqualified persons", as such term is defined in the applicable status contained in the Internal Revenue Code and related regulations governing private foundations. Relative of members of the selection committee, or of your officers, directors, or substantial contributors, will not be eligible for awards.

You intend to award j dollars with up to k scholarships per school year. Your scholarships are provided on a multi-year basis. You will require certain minimum academic and other thresholds to be met to maintain the scholarships. You will require reporting to ensure that recipients meet the requirements for renewal.

Your scholarship award recipients will be required to maintain continued academic good standing, a minimum GPA level, and full-time student status. Your scholarships will be deferred if the recipient chooses to partake in a co-op or internship. You will regularly review the recipient's official grade transcripts from their college program evidencing their GPA and enrollment as a full-time student. Your scholarship award payments will be made directly to the institution on behalf of the recipient. This will ensure the institution will apply funds only for enrolled recipients who are in good standing with the institution. If the recipient violates the conditions of the scholarship, fails to renew their award, or otherwise discontinues their enrollment at the institution, you will discontinue the scholarship. If you determine that it is necessary to take funds back, you will provide written notice to recipients that includes pertinent details regarding why the funds must be returned and logistics of the return of such funds.

You place the following requirements on recipients to maintain and renew their scholarship:

- Recipients must be enrolled by an accredited university and remain in good academic standing.
- Recipients must excel academically and make satisfactory progress toward degree requirements.
- Recipients must not be on disciplinary probation with the university.
- Recipients must maintain an unweighted GPA of 2.75 or higher each semester.
- Recipients must demonstrate annual financial need on FASFA and submit annual University Award Letter
- Recipients must remain in full-time student status with their university.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded. You will investigate diversions of funds from their intended purposes. You take all reasonable and appropriate steps to recover diverted funds and ensure other grant funds held by a grantee are used for their intended purposes. You will 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 diversions from occurring.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether 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.

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