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

Date:
03/12/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202523016
Release Date: 6/6/2025

UIL: 4945.04-04

LEGEND
B = Program
C = Program
D = Program
E = Programs
F = States
V = Number
w dollars = Amount
x dollars = Amount
y dollars = Amount
z dollars = Amount

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 three scholarship programs under IRC Section 4945(g)(1), the B, the C, and the D. These programs are named the E collectively.

The purpose of your program is to provide financial assistance to young people to reach their full potential though education. Recipients are individuals living in low-income and resource-poor states and communities, particularly in F.

The B provides individualized educational services to high school students with financial needs. These services include advising, scholarship support, after-school hours, and summer activities throughout high school.

The C provides funds to college students for up to four years of undergraduate study for tuition, room and board, school fees, and books.

The D provides funds to community college students and recent alumni to pursue a bachelor's degree at an accredited four-year institution in the United States or abroad. Funding is for tuition, room and board, school fees, and books.

You anticipate that V scholarships will be awarded annually with w dollars for C and and , and x dollars for B on a one-year term and renewable basis.

To be eligible for renewal, the award recipients must meet all reporting criteria set forth by the programs. These include reports of courses taken and transcripts issued during each academic period. All grant recipients must also provide a final report detailing their accomplishments, the impact of the grant award on their academic and professional development, and the use of the funds received. If a required report is not submitted, if the submitted report is unsatisfactory, or if you learn that all or any part of the funds from a scholarship or grant you have awarded are being diverted from their intended purposes, you will take all reasonable and appropriate steps to recover the funds and/or to ensure restoration of the diverted funds to the purposes of the scholarship or grant.

To be eligible for the B, the student must:

- Maintain mostly grade A's in core academic subjects since the beginning of 6th grade
- Have not received C's or below grades in core academic subjects since the beginning of 6th grade
- Have family adjusted gross income of no more than y dollars

To be eligible for the C and the D, the student must:

- Maintain a grade point average of 3.5 or above
- Have family adjusted gross income of no more than y dollars

The primary selection criteria for your programs shall include, but are not limited to, leadership, academic achievement, outstanding scores on standardized tests (e.g., SAT), financial needs, extracurricular activities, public services, critical thinking ability, and appreciation for or participation in arts or humanities. Special considerations are given to applicants whose family annual income is below z dollars.

Grants will be disbursed directly to the educational institution where the recipient is enrolled in. The recipients are not required to perform services after receiving an award.

The E is made known to the public by:

- Publishing on your website
- Direct contact with educational institutions

- Outreach programs such as attending educational institutions' conference and other gifted and talented programs

Your selection committee may include an independent panel of individuals with relevant educational or subject matter expertise or authorized staff. You may also enter into agreements with independent organizations, public charities, governmental entities, or private foundations (scholarship consultants) to help identify candidates, promote the scholarships, design and process the applications, and evaluate the eligibility of applicants.

Scholarship consultants may identify qualified individuals to serve as panelists on the selection committee. Any fees paid to the scholarship consultants will be fixed and set in accordance with standard rates for similar consulting and management services provided to other organizations. Any scholarship consultants hired for the above purposes will be independent from you while none of the employees, officers, or directors of the scholarship consultants will be your employees, officers, directors, or disqualified persons.

Scholarship consultants will work directly with you on all major policy and program decisions, but you will be responsible for approving all aspects of program design, promotion, award selection, and allocation of grant funds. In all cases, your staff will make recommendation to your board of directors who will make the final selection of award recipients. No scholarships or grants will be awarded to your founder, creator, officers, board members, or staff, or their families, or to any disqualified person, or for a purpose that is inconsistent with the purposes set forth in section 170(c)(2)(B) of the Code.

You will retain complete records with respect to all scholarships and grants awarded, as required by the applicable Regulations. These records will include all information obtained to evaluate applicants, the identification of recipients, the amount of each grant, progress reports from recipients or their supervisors, and any additional information obtained in the course of the grant administration process.

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