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: 202530022
Release Date: 7/25/2025

LEGEND
B = Range
y dollars = Dollars

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 provide scholarships to students in need of financial assistance. Your purpose is to help students who show great promise for success but lack the financial means to cover their cost of education, achieve their educational and career goals. You anticipate granting approximately B scholarships of up to y dollars annually, with the number of scholarships increasing in future years if your budget allows. Your scholarship program will be advertised broadly by providing the scholarship application and details directly to colleges and universities throughout the United States. Relatives of your board members and employees are not eligible to receive your scholarships.

To be eligible for your program, applicants must:

- Be enrolled at a higher education institution, including community college, undergraduate college, or university, and provide proof of enrollment

- Be employed at least part time.
- Provide past school records that demonstrate educational excellence.
- Provide an essay that details:
    - Any financial need that they have,
    - Why they are requesting funds,
    - How the funds will be used,
    - Future educational and career goals, and
    - How they plan to achieve their goals.

Applicants much submit a completed application along with required attachments including written essay and prior educational records. Your board of directors will review scholarship applications and select recipients.

You will select scholarship recipients based on the recipients:

- Prior academic performance,
- Demonstrated financial need,
- Commitment to achieving their educational and career goals, and
- Personal story set forth in their essay,

Your scholarships are intended to be used for tuition, fees, books, supplies, and other expenses necessary to attend college or university. Scholarships will be paid directly to the recipient unless the recipient requests the funds be paid directly to the educational institution. Your intent is to use the scholarship disbursements as a training tool for students to learn how to manage their own finances independently. Each semester recipients are required to provide proof of enrollment, prior semester transcripts, and reports detailing how the funds were used. 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.

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.

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 Agreement

Enclosures:
Letter 437
cc: Kristen Anderson, Esq