



Department of the Treasury
Internal Revenue Service
Tax Exempt and Government Entities

Date:
06/13/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202536044
Release Date: 9/5/2025

LEGEND

B= School

C= Foundation

j = Amount

k = Scholarships Granted

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 seniors who are pursuing an education in the STEM (Science, Technology, Engineering and Mathematics) fields of study at four-year college/university. Your mission is to increase access to STEM education to underrepresented communities.

To be eligible for scholarship, the student must:

- Applicant must be graduating B senior
- Applicant must attend an accredited four- year college or university
- Applicant must pursue a major in the STEM field

You will rate the applicants based on the following criteria:

- Cumulative Grade Point Average During High School
- Letter of Acceptance into an accredited college/university
- Essay
- Two letters of recommendation; one letter must be from a current teacher.

The scholarship program will be publicized annually on C website and advertised through the partner high schools.

Your selection committee consists of a committee made up of a minimum of 2 members from the partner high school and 2 members from the foundation Board of Directors. Your selection committee will partner with STEM teachers and/or high school administrators, nominated by the partner high school. Your chair of the selection committee is from the partner high school. You approve committee members annually, requesting replacement members to be nominated by the partner high school and Board of Directors. Your 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 awards are renewable on annual basis for the first four years.

Your scholarship award recipients will be required to renew their award on an annual basis. You will review the recipient's official grade transcripts from their college/university evidencing their GPA and enrollment as a full-time student. You will review confirmation that the student is continuing their education in a STEM program at an accredited university. Your scholarship awards will be made directly to the institution on behalf of the recipient so that the institution will apply funds only for enrolled recipients who are in good standing with the institution. On an annual basis, students are required to submit their transcripts for review by C. If your recipient violates the conditions of the scholarship, fails to renew their award or otherwise discontinues their enrollment at the institution, the C will discontinue the scholarship. In the event your recipient falls below the minimum GPA requirements to maintain the scholarship, C will provide the recipient the opportunity to raise their GPA to the minimum GPA during the following semester before any revocation of the scholarship will occur. Revocation of scholarships will be on case- by- case determination taking into account GPA, course load and other factors.

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