



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

Date:
08/26/2025
Taxpayer ID number:

Person to contact:
Name:
ID number:
Telephone:

Release Number: 202547024
Release Date: 11/21/2025

LEGEND

b dollars = Dollars
C = Number
D = Name
E = Area
F = Range
g dollars = Dollars
H = Position
J = Position
k dollars = Dollars
L = Number

UIL: 4945.04-04

Dear :

You asked for advance approval of your scholarship procedures under Internal Revenue Code (IRC) Section 4945(g)(1) and advance approval of your educational grant procedures under IRC Section 4945(g)(3).

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.

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 provide in IRC Section 117(b))

We also approved your procedures for awarding educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding educational grants meet the requirements of IRC Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Description of your request

Your letter indicates you will operate a scholarship program under IRC Section 4945(g)(1), and an educational grant program under Section 4945(g)(3). The purpose of each of these programs is to support historically underserved and underrepresented students earning college degrees with minimal debt and transitioning to a strong first job.

Program 1

Your scholarship funds will support direct and indirect educational costs. It is anticipated that individual base annual awards will range from b dollars per year per student. Exact amounts will be determined by the students' financial need and academic ranking, assessed during your program application process and through the scholarship period, as well as by your annual budget. Additional scholarships may be awarded to college students starting in their second year for the duration of their engagement in an unpaid or low paying career related internship. Under this program students may be eligible for a scholarship for up to C years total. Scholarships issued under this program will be described under IRC Section 4945(g)(1).

You use a combination of methods to publicize your scholarship programs to underserved and underrepresented students which includes:

- In-person discussions at high schools during advisory classes, lunch time, and parent meetings,
- Direct digital outreach such as emails and text messages, and
- Broad advertising on your website, social media, other scholarship websites and/or news and media outlets.

At a minimum, you plan to issue scholarships to eligible and selected students who meet the selection criteria and attend your public charter school, D. If you secure additional funding from donors to support a student's full college cycle (up to C years from high school graduation) you plan to open additional spots in the scholarship program for other eligible students from E. It is anticipated that the number of these scholarships will range from F. Students initially selected into your scholarship program will be eligible to have their scholarship renewed each academic term as long as they meet the criteria.

Eligible students will:

- Be a senior at a high school in the E
- Plan to attend a vocational school, community college, or four-year college or university in the United States after graduating high school. And
- Be from a low-income household defined by having a maximum Student Aid Index of g dollars.

OR

- Be a senior at D, and
- Plan to attend a vocational school, community college, or four-year college or university in the United States after graduating high school.

Your rubric selecting recipients evaluates four categories:

1. Academics: Cumulative high school GPA, Academic motivation
Student demonstrates persistence, resilience, and resourcefulness related to their academic pursuits and how they will navigate the academic rigor of college
2. Financial Need: Student Aid Index
Students with a lower student aid index are ranked higher as this indicates greater financial need.
3. College Commitment: Purpose and Resilience

Student demonstrates a compelling reason for pursuing college as their postsecondary pathway. Student demonstrates passion and perseverance for long term goals including managing through failure.

4. Program Fit: Interdependence and Self-Awareness

Student understands and articulates how they think they could benefit from your program including college coaching, financial planning support, and career preparation. Student demonstrates reflection of their own need (s), feeling, and motivation as it relates to college.

Selection committee members review and rate applications individually with each application reviewed and rated by at least two committee members. Final decisions will be determined and approved by the scholarship program leadership.

In order to maintain and qualify for a renewal of the scholarship, each student must:

- Maintain enrollment in, and complete, full-time units at a vocational school, community college, or four year institution
- Provide necessary documentation to demonstrate and support progress toward earning a college degree.
- Engage regularly with you to support getting a college degree with minimal debt in a timely manner and obtain work experience. This may include activities such as setting and reviewing progress toward goals; completing the FASFA annually; developing and monitoring a college financial plan that minimizes debt; developing and monitoring an education plan and academic progress; engaging in career preparation tasks such as creating a resume and mock interviews; and preparing internship, job, and/or graduate school application.

The selection committee for this scholarship program will include your staff and/or volunteers selected by the program coordinator with oversight from H. Selection committee members will be trained on the selection criteria and rubric prior to reviewing application. Selection committee members review and rate application individually with each application being reviewed and rated by at least two committee members. In the instance where they are multiple applicants with the same rating in the final ranking and a limited number of spots, program leadership which currently includes H and J review those application again to make the tie breaking decision. No relative of selection committee members or your directors, officers, or substantial contributors are eligible for scholarship awards under any of your programs.

Program 2

Additional grants may be awarded to Program 1 recipients, starting in their second year, to support their engagement in an unpaid or low paying career related internship. Grant amounts will be determined based on the student's internship duration and your budget but will not exceed k dollars annually per student. Grants issued under this program will be described under IRC Section 4945(g)(3).

The following describes the specific criteria you use to determine who is eligible for your scholarship program:

- Only students who have been selected as a scholarship recipient for Program 1 and continue to meet the criteria for Program 1,
- Are in their second through sixth year of college,
- Are in good standing and meet all of the qualifications for program 1, and
- Provide documentation demonstrating they have secured an unpaid or low-paying career-related internship, including the name of the organization, role, responsibilities, start and end date and the number of hours per week

Students who meet all of the eligibility criteria are selected on a first come, first-served basis, based on your budget availability.

In order to maintain and qualify for a renewal of the scholarship, each student must:

- Maintain enrollment in, and complete, full-time units at a vocational school, community college, or four year institution.
- Provide necessary documentation to demonstrate and support progress toward earning a college degree.
- Engage regularly with you to support getting a college degree with minimal debt in a timely manner and obtain work experience. This may include activities such as setting and reviewing progress toward goals; completing the FASFA annually; developing and monitoring a college financial plan that minimizes debt; developing and monitoring an education plan and academic progress; engaging in career preparation tasks such as creating a resume and mock interviews; and preparing internship, job, and/or graduate school application.
- Provide documentation demonstrating that they have secured an unpaid or low-paying career-related internship, including the name of the organization, role, responsibilities, start and end date and the number of hours per week

Scholarships under this program are not renewable. Students who meet the eligibility criteria may apply for another scholarship under this program

The selection committee for this scholarship program will include your staff, with oversight from H. No relative of selection committee members or your directors, officers, or substantial contributors are eligible for scholarship awards under any of your programs.

Both Programs

Students are required to submit transcripts each academic term to verify college enrollment and progress toward degree. Students are required to develop a college financial plan that minimizes debt prior to receiving scholarship funds for that year which is reviewed by your staff.

Students receive their scholarship award for their academic term by virtual debit card. Students may use their virtual card to make payment on their school's online payment system, at a retail store, or e-commerce store. After a payment is processed, the application prompts the student to take a picture of their receipt and upload it for verification. Students are responsible for maintaining receipts of their transactions using scholarship funds, which are regularly reviewed and inspected by your staff to ensure the transactions meet scholarship guidelines.

Scholarship guidelines detail that the funds may only be used for tuition, including required fees, books, supplies, and equipment; housing, utilities, food, transportation; pursuing an unpaid or low paying career related internship; and other personal costs at the student's discretion directly or indirectly related to supporting their education costs. Scholarship funds may not be used for alcohol, gambling, firearms, luxury goods, or loans to family members or friends, and you reserve the right to amend scholarship guidelines and policies at your discretion to ensure that students understand permitted scholarship expenditures. Attempted transactions with vendors categorized as alcohol, gambling, firearms sales, or luxury goods are automatically declined by the application. If at any time the terms of the scholarships are violated, you will immediately freeze a student's virtual card until a review is conducted and a resolution is reached. Violation of terms of the scholarship may include misuse of scholarship funds, failure to provide required documentation of transactions, or disengagement with the program, such as no communication with your staff within a 1 day period.

If funds are misused additional scholarship disbursements will be withheld until the misused amount is repaid in

full. You reserve the right to pursue legal action to recover misused funds, including debt collections services or small claims court. However, given the typical age and financial profile of your target students, you will attempt other measures and remedies in good faith before pursuing legal action against a student. Non-compliance of a more serious nature such as misrepresentation of college status enrollment status, harassment or intimidation of your staff or any E community member, inappropriate or criminal behavior, or repeat disregard for earlier warnings may also result in dismissal from the scholarship program.

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.

IRC Section 4945(g)(1) Requirements:

- 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).

IRC Section 4945(g)(3) Requirements:

- 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 IRC Section 117(a) and is to be used for study at an educational organization described in IRC Section 170(b)(1)(A)(ii).
 - A prize or award subject to the provisions of IRC Section 74(b), if the recipient of the prize or award is selected from the general public.
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulation Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

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