

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **202144033**  
Release Date: 11/5/2021

**Employer Identification Number:**

**Contact person - ID number:**

**Date: August 10, 2021**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

B = Scholars Program  
C = City, State

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) Section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**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.

Also, 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)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B.

Your purpose is to further charitable purposes described in IRC Section 501(c)(3) of the Code. The purpose of B is to provide scholarships for under-resourced students located in C.

**Description:**

Students who complete your B program will have 100 percent of their tuition (after financial aid, room and board, and a monthly living stipend) paid for by you for any post-secondary educational institution. You will choose four new students who are entering

the 8<sup>th</sup> grade to enroll in your program each year. Your program will increase post-secondary education readiness, access, and completion by offering support, mentoring and skill building.

### Criteria

Middle school students who will be attending 8<sup>th</sup> grade in location C are eligible to apply for your program. Students who complete your five-year program are eligible for the scholarship.

### Promotion

You will advertise and promote your program at middle schools and a community center in C. You represented that schools where you advertise your program have significant populations of lower-income and minority students. You provided a draft copy of your program application with your application for advance approval of grant making procedures under IRC Section 4945(g)(1).

### Selection Procedures

When selecting your recipients you will consider factors such as financial need, academic performance and the ability of participants to meet the requirements of your program, which requires a commitment of 10 hours a month during the school year and 10 hours a week for 8 weeks each summer until the student graduates from high school. Each student has monthly requirements and will be required to attend a group meeting each year. Relatives of members of the selection committee or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

### Follow-up Procedures

Tuition payments will be made directly to the educational institution. Your Director will conduct quarterly check-ins with the educational institution to ensure the student remains in good standing. Living stipends will be paid to the students. Each scholarship recipient will receive a college mentor that they will be required to check in with periodically and prior to receiving their living stipend each year. You will require annual reports from the students on the progress being made toward his or her degree program.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC Section 4945). 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 of the following requirements of 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 Section 117(a).



- The grant is to be used for study at an educational organization described in 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 Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot 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'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, please contact the person listed at the top of this letter.

Sincerely,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements