



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

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Date: **November 2, 2021**

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

UIL: 4945.04-04

LEGEND

B = Area

X = Scholarship Program

y dollars = \$

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. 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 called X. You state X is dedicated to creating opportunities and eliminating barriers by providing financial assistance and educational resources to underserved young adults in B. X is intended for young adults who have a desire to work in careers that require educational coursework to obtain professional credentials, and who do not have the financial means to pay for such education.

Specifically, X may be used to pay for educational courses and related course books in furtherance of degree and career certificate programs such as EMTs and paramedics, law enforcement and fire safety professionals, nursing, medical and veterinary technicians, automotive technology, and other technical programs requiring educational coursework and certifications or licenses. You state you hope X will enable its scholarship recipients to become active, independent, and contributing members of society.

Eligibility Criteria

The scholarship grants will be available to individuals residing in B who:

1. have been accepted or are currently enrolled in a degree, career certificate, or similar program (the "Enrollment Requirement");
2. have completed and processed the Free Application for Federal Student Aid and qualify for a full Pell Grant, if such application and grant are available or applicable to the program (the "Income Requirement");
3. have maintained a grade point average of at least 3.0 on a 4.0 scale (or equivalent) and an attendance record of 90%, have passed any required exams, and have not been subject to any academic disciplinary actions (the "Academic Requirement");
4. submit an application for a scholarship (the "Application Requirement"),
5. agree to report information regarding their class enrollment, completion, and grades for each academic term that they remain enrolled (the "Reporting Requirement"), and
6. agree to comply with any other requirements necessary to achieve the educational purposes of the program.

As part of the Application Requirement, each applicant may be required to submit a personal narrative, profile photo, and third-party recommendations describing their personal goals, character, good citizenship, economic necessity, academic ability, and desire to succeed in their chosen career. In addition, applicants may be required to partake in an interview with a member of the selection committee regarding their eligibility. Finally, applicants may be required to agree to the publication of their participation in the scholarship program.

Selection Committee

X's selection committee will evaluate applications and determine scholarship recipients. The committee will be comprised of members of the community, trustees, and program managers. The selection committee will meet at

least twice a year to evaluate new scholarship applicants and review the progress and compliance of current scholarship recipients. Individuals will not be eligible to apply for scholarships if they are related to an officer, director, trustee, other disqualified person, or member of the selection committee. You will fund X with an initial scholarship budget of up to y dollars, and you intend to increase the budget if the program proves successful in assisting individuals in obtaining the education they need to get out of poverty. The selection committee will prioritize otherwise eligible applicants showing the highest likelihood of success based on consideration of their prior academic success, financial need, and the narrative, recommendation, and interview components of the Application Requirement.

Reasonably Calculated to Result in Desired Outcomes

X is designed to assist individuals who will use the scholarship grants to achieve the credentials, licenses, or certifications necessary to become employed in their chosen career. You will use your best efforts to assign a mentor to each scholarship recipient to assist in helping to complete the program and transition into a self-sufficient career. By identifying individuals meeting a certain level of academic success, and requiring information regarding an applicant's commitment, the application process is designed to identify high-character individuals with a strong interest in their chosen career and with a high likelihood of success if granted the necessary financial resources to obtain the pre-requisite education. You will monitor the progress and success of its scholarship recipients. Through the Academic and Reporting Requirements, continued payment of scholarship funds will be dependent on attendance and successful completion of educational coursework. In addition, you will make payments directly to qualifying organizations on behalf of scholarship recipients to ensure that funds are expended for the intended educational purposes. Thus, you will be able to exercise expenditure responsibility by ceasing payment if a scholarship recipient does not demonstrate the appropriate level of commitment to justify payment of additional educational expenses.

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 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.

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