



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

Date: 02/15/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Release Number: 202219019

Release Date: 5/13/2022

UIL: 4945.04-04

LEGEND

B =Program

C – Area

D=Company

e dollars = Amount

f=Number

g=Number

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 called B. The purpose of B is to provide access to education and encourage professional development of parents and caregivers in C. You will provide scholarships to post-secondary education, including 2 to 4 year colleges, trade, vocational and certificate.

You will publicize your program by partnering with a number of local organizations, including community centers in C, trauma centers, and day cares. You also plan to advertise in local newspapers. The deadline for

scholarship applications will be mid- each year and the grants will be awarded in mid- . Applicants will be required to submit a personal statement and to provide a letter of recommendation from a teacher, counselor, coach, employer, or other community leader. Initially, you expect to receive approximately g applications each year and the number of applications will increase as B is more widely publicized.

The number of grants you award annually may vary from year to year and it will determine by your board. Initially, you plan to award f grants each year of approximately e dollars each. The exact amount of each grant will be determined by the recipient's course of study, the cost of tuition and related expenses, and level of need.

The scholarships are not renewable. However, there are no restrictions as to the number of times an individual, including past applicants and grant recipients may apply. No preference will be given to past grant recipients.

Prior to awarding a grant, you will check the recipient name against the OFAC list of Specially Designated Nationals and Blocked Persons. You will pay scholarship awards directly to the educational institution whenever possible. You will require each institution to agree on using the funds to defray the tuition and related expenses and if the recipient fails to enroll, drops out, fails to remain in compliance with the institution's academic requirements, the institution will be required to return all unused funds. If funds are paid directly to the grant recipient, you will have each recipient to sign an acceptance letter, which will outline the requirements and conditions of the grant. If applicable, you will require the grant recipients to provide an official transcript for each academic period and submit documentation substantiating the use of the funds.

To be eligible for a grant, the applicant must be:

- A resident of C
- A parent or caregiver of a child (or children) 18 years old or younger
- Currently employed and/or enrolled in school

Your officers, directors, substantial contributors, selection committee members, and the children and other close relatives of such persons are not eligible to apply. In addition, employees of your sole member, D and children of such employees are not eligible to apply.

There will be no discrimination on the basis of race, gender, national origin, sexual orientation, or religion. Your selection committee will use the following specific criteria to select grant recipients:

- Greatest opportunity for advancement or improved circumstances for the applicant and their family members as a result of training or education
- Character of the applicant such as integrity, honesty, and commitment, as demonstrated through a personal statement and/or letters of reference.
- Ability to persevere in challenging situations and/or overcome adversity, as demonstrated through the applicant's personal statement.
- Financial need

Your selection committee will be composed of between five and nine members. You will choose individuals that have been employed by D for at least one year. The one-year employment requirement will be waived for individuals who have previous experience serving on a private foundation and/or reviewing scholarship applications. The selection committee is obligated to disclose existence of any relationship that they have with any potential grantee. In addition, the selection committee will refrain from participation in the review process if the member could derive direct or indirect tangible benefit from the selection. The selection committee will review all applications and recommend candidates to your board for final approval.

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.

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. Mattin
Director, Exempt Organizations
Rulings and Agreements

Enclosures:
Letter 437

cc: