



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

Date: April 18, 2022

Number: 202228021
Release Date: 7/15/2022

Taxpayer ID number:

Person to contact:

LEGEND:

W = state 1
X = state 2
Y = state 3
Z = ethnicity

Ull:

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.

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

You will operate a program to promote the education of underrepresented individuals. Specifically, you will provide scholarships to underrepresented Z individuals from W, X and Y to study at educational organizations and earn an undergraduate degree. These underrepresented individuals are those who do not have the financial

means to study at an educational organization and/or would be first-generation college students. Your program will be publicized at local places of worship, in local publications, and at local high schools and community events.

The number and amount of grants will vary year-to-year and be determined by the number of applications you receive and your available resources. Amounts are to be commensurate with the needs of the grantee to supplement and offset the costs of tuition, books, and supplies for any part of one academic year at the educational institution where the student is enrolled. Grants may be renewed each year based upon the student's academic standing.

Each applicant will undergo a personal interview and is required to submit the following:

- Statements describing their academic performance/background and history of immediate family members earning undergraduate degrees (if first-generation college student)
- Statements detailing their desired program(s) of study, the relevant educational institution, and a breakdown of the underlying costs of tuition, books, and supplies
- Statement/documents supporting financial need
- Letter of recommendation from an instructor at their high school

Your Selection Panel will be composed of a group, with at least one individual selected by you, that are not disqualified persons under IRC Section 4946 and not related nor a subordinate to any of your board of trustees, members, officers, or employees as described in IRC Section 672(c). None of the Selection Panel, Board of Trustees and members/officers/employees will be in a position to derive private benefit, directly or indirectly, if certain potential scholarship recipients are selected over others. Individuals related to such individuals are not eligible to apply.

Selections will be made by the Selection Panel's majority consent and proposed to your Board of Trustees/Directors. Your Board will review and make the final determinations on grant recipients. They may accept any, all or none of the proposed grantees and will determine the amounts to be awarded to each grantee. The selection of individual grantees will be made based on criteria reasonably related to the grant, including but not limited to the following: prior academic performance, recommendations from high school instructors, financial need, the personal interview, and whether the applicant would be a first-generation college student. Each selected recipient will be required to agree in writing to use the grant funds for the stated purpose of the grant and submit a report to you annually describing their accomplishments and how the funds were used.

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 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

- 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 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