



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

Date: 08/10/2022

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: **202244030**

Release Date: 11/4/2022

UIL: 4945.04-04

LEGEND

B = Number

C = State 1

D = State 2

E = State 3

F = Organization

y dollars = Amount

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. The purpose of your program is to provide awards to financially constrained, high achieving and deserving men and women to study at an accredited college or university, in a business subject of their choice.

Your scholarship program will be publicized on your website and through the guidance counselors at private and public high schools. You intend to target schools in urban, suburban, and rural areas that are specifically in

low-income regions. Currently, you are focusing on the states of C, D, and E and more states will be included in the future. At least out of every candidates selected must be graduating from a public high school located with a U.S. municipality, town, or city with a population of over persons.

You anticipate to award in the range of B scholarships annually. The scholarship will cover no less than % and no more than % of annual college tuition amount, excluding room and board. The current amount is in the range of y dollars. Grants will be disbursed directly to the educational institutions.

To be eligible for the scholarship, the student must complete an application on your website and:

- Be a graduating high school senior who is in the top % of the graduating class or equivalent measure as determined by the respective high school
- Be entering an accredited college or university as a first-year freshman during the same calendar year as high school graduation
- Be a full time and fully matriculated undergraduate students pursuing a bachelor's degree
- Be major in accounting, finance, marketing, computer science, actuarial science, or real estate, and be in good academic standing
- Demonstrate financial need with a % tuition or less "parental contribution" as defined by F or household income less than % of the U.S. median income as defined by Federal guideline per region

The scholarship is an annual award and renewable for up to three succeeding years. Preference is given to prior year recipients as long as he or she consistently fulfills all criteria for the original scholarship requirements and has achieved a 3.25 cumulative overall grade point average.

Your selection committee consists of members of your Board of Directors and at least one independent person with at least years of academic experience at or above high school or upper school level. Members of the selection committee will not be in a position to receive private benefit, directly or indirectly. Recipients cannot be related to a member of the selection committee or to any disqualified persons. Your employees and their family members are not eligible to apply. Membership replacement will be the responsibility of your Trustees.

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

- 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.

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