



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

Date:
08/17/2022
Taxpayer ID number:

Person to contact:

LEGEND

UIL: 4945.04.04

B = State of Recipient Residency
C = State, County of Recipient Residency
D = Scholarship Program
E = Former Scholarship Program
F = Number of Grants
G = State of Educational Institution
y dollars = Grant 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 for full-time students in B or C who are seeking an associate or a bachelor's degree in the student's state of residency.

You seek to combine your existing programs known as the D and the E. The surviving program will also be known as the D.

Your existing programs support non-traditional students, many of whom have voiced confusion over which of the two existing programs they should apply. You seek to reduce barriers and believe that combining the D and the E will simplify the process. The D will award up to F renewable scholarships, which is the total number of scholarships awarded under the existing programs.

Your award is designed to cover % of the unmet financial need of the student recipient, as determined by the college of attendance. The award will have a range of y dollars per academic year, per student. You pay scholarship funds directly to the educational institution. Scholarships are renewable provided the student is in good academic standing, maintains a minimum 2.0 GPA, and is a full-time student.

You will publicize your program via your website and through promotional materials to community colleges and universities in B and C.

To be eligible for a scholarship the student must:

- be a resident of B or C
- be a high school graduate or have previously acquired a GED
- have a goal of earning an associate or bachelor's degree with at least one full year remaining in a program
- plan to attend full-time at a federal financial aid eligible public or private (nonprofit) college based in B or G, beginning in the fall of the application year
- be a single or married parent of any age with custody of dependent children, or is an adult over the age of without children as of of the application year
- have no felony convictions, or if the student has a felony conviction, have satisfied the terms of the conviction by August 1 of the application year

Your selection committee consists of scholarship program alumni, people with experience working with diverse populations, and people who work with college students, or have experience working in education, counseling, advising, financial aid, or social work.

Your scholarships are awarded on an objective and nondiscriminatory basis, applying the following selection criteria:

- commitment to roles in school, home and/or community activities
- outstanding character
- a concern for others through volunteer service and/or help with family needs
- initiative, responsibility, and a strong work ethic through paid and/or unpaid work experience
- a capacity for future academic success shown by high school or college GPA and coursework

Applicants undergo three levels of review. First, your staff members complete an initial review of applications to determine eligibility and validity. Then the applications are reviewed by teams of three, and each reviewer reads and independently scores the same set of applications. The team then discusses scores and collectively decides which applications from their set will move to interview. Lastly, applicants are interviewed by a team of three.

Relatives of officers, directors, and your key employees are not eligible for awards. Your other staff members and family members of volunteer reviewers are eligible and may be awarded a scholarship based upon the same terms and conditions as the general public. You provide regular training regarding conflicts of interest and require reviewers to disclose any relationship to a known applicant and recuse themselves from any related decision-making.

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