



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

Date: 04/03/2023

Taxpayer ID number:

Person to contact:

Name:

ID number:

Telephone:

Number: 202326025

Release Date: 6/30/2023

UIL: 4945.04.04

LEGEND

X = Program Name

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. 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 X. The purpose of X is to provide grants for tuition, fees for textbooks, textbook subscriptions, laptops, software, course ware platforms, and computer simulation fees. It is anticipated that students will receive small grants a limited number of times per year. The total annual grant per student is currently anticipated to be capped at y dollars. At this time there is no limit to the number of grants you may award in a given year. The program is publicized on your website, social media, emails to students, student groups, and college student services staff.

The following criteria must be met by applicants:

- must be a current student in college, graduate school or other post-secondary education including graduating

seniors and undocumented students

- must have within the last 90 days, unexpected financial difficulties which may impact enrollment at the applicable education institution
- must be able to upload documents to verify such matters including enrollment as requested by you.

You will use the following criteria to select recipients:

- must be enrolled in college, graduate school, or other post-secondary education
- student must provide student aid report or equivalent information
- statement of financial need - students documentation of financial need for an approved expense that impacts their ability to be enrolled in higher education
- student has not received funding that exceeds the maximum allowed funding amount
- student will be selected on nondiscriminatory basis.

You have developed a methodology to prioritize application considering factors such as urgency, amount of request, potential for circumstances to cause a student to drop out, etc. You will take steps to verify applicant documentation before approving any grants and once approved verify receipt of funds. Grants will be paid directly to individual recipients. If funds are misused, you intend to take all reasonable and appropriate steps to recover diverted funds and students will be ineligible for future grants. You may use a close-out survey to ensure student accountability. You intend to utilize your staff to manage the process of approving and awarding grants in accordance with established and approved grant procedures.

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. Martin
Director, Exempt Organizations
Rulings and Agreements