



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

Date:
05/03/2023
Taxpayer ID number:

Person to contact:

Number: **202330010**
Release Date: 7/28/2023

LEGEND

B = Scholarship Program
C = Country
D = City
E = Locations
G = Nationality
H = Nationality

UIL: 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.

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 B. The purpose of B is to support post-secondary students with socio-economic barriers. B will be publicized through your website, social media, grantee partners, community organizations supporting post-secondary students, place-based high school, and post-secondary institutions. The number of scholarships and the amount of each scholarship will fluctuate each year based on your funding

commitments and minimum distribution requirements.

The selection process includes five steps:

- An online application submission.
- Consultant review of applications received, focused on eligibility criteria and completeness.
- Applications review by the selection committee.
- Interviews with the selection committee from final shortlist of applicants.
- Applicant selection process.

The application must be filed out on your website and attached documents uploaded for review.

Eligible applicants will meet the following geographic criteria:

- H eligible applicants will reside in C, with a preference for City of D residents.
- G eligible applicants will reside in E.
- Additional eligible applicants may be added in the future as you may choose to modify the geographic areas of focus.

All applicants must have a specific GPA, pursuing undergraduate studies, and who face socio-economic barriers due to race, ethnicity, sexual orientation, geography or personal trauma/ hardship. The application requires a written recommendation provided by an applicant's supervisor, teacher, coach, mentor, or a community organization. The applicant will also submit a video submission where they will speak to their strengths and weaknesses, role models, achievements, education, and career goals.

The application packets are sent to a hired consultant to review and to select a shortlist of eligible applications. Then the packets will be sent to the selection committee. The selection committee is composed of consultants, one of your board members, and individuals from unrelated grantee and community partnership organizations. The selection committee will interview the shortlist of applicants, select the recipients, and determine the amount of the grant based upon the level of resources available.

The following requirements are imposed on scholarship applicants to obtain, maintain, or qualify for renewal of a scholarships:

- Recipients must sign a scholarship and code of conduct agreement.
- Recipients must remain enrolled in an accredited post-secondary institution for a 2–4 year undergraduate program.
- Eligible undergraduate programs include trade programs, diploma programs, and colleges and universities.
- Recipients will be required to complete an annual survey and provide a personal testimonial, including description of use of the funds and experiences.
- Recipients will be encouraged to participate in your forthcoming scholar alumni program and your virtual summit for scholars. Scholar and alumni participation in the program and virtual summit are intended to further the leadership development of each participant and continue to build on their leadership qualities.
- Recipients must maintain a passing GPA, if a scholar fails a class, they can appeal to you to retake the class to maintain their scholarship.

All scholarships will be paid to the educational institution as credit on the recipients account for tuition fees by semester to help ensure the funds are expended for their intended purpose. The hired consultant will stay in contact with the school. If a recipient does not use the scholarship, the consultant will request a refund from the

school for the remaining credit.

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.

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