



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

Date:
12/05/2022
Taxpayer ID number:

Person to contact:

Release Number: 202309018

Release Date: 3/3/2023

LEGEND

UIL: 4945.04-04

X= Assisting Corporation

y dollars = Scholarship 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 goal of the scholarship is to recognize and empower underrepresented students in STEM by offering a y dollars award that can be used towards resources to support tuition and fees required for enrollment or attendance at an educational institution. This includes fees, books, supplies, and equipment required for courses at an educational institution. In addition, scholarship awardees will participate in mentorship relationships. You will work with X, a for-profit corporation, to identify scientist employees who will be mentors for the scholars. Scholars will be matched with a mentor through you for 1:1 sessions with larger group sessions focusing on building skills like scientific writing, presentation giving, exploring potential career paths, self-care and conflict resolution in the workplace, and more.

The scholarship award is available to individuals who are at least 18 years old and are a researcher or scientist that is currently enrolled in a science undergraduate program in their junior or senior year of study. If an applicant is not selected as a grant recipient in one year, they can apply again. However, each applicant can only receive a scholarship once. Employees of X and members of the immediate families of such employees are not eligible. Employees of authorized X distributors are not eligible. The scholarship award is not available in all geographic regions and is voided where prohibited by law. Members of the Black/African American, Hispanic/Latino, American Indian or Alaska Native, Asian, Native Hawaiian or Other Pacific Islander, , and are strongly encouraged to apply.

Applicants must demonstrate a strong interest in pursuing a career in a related field.

Applicants are selected through a vetting process involving you and X's employees with final approval from your board of directors and your executive director. The application process is divided into three sections around the applicants personal statement, research abstract, and their professor's letter of recommendation. You also have a category based on experiences described by the students and chances for opportunity they seem to have. All pieces of the application are associated with a specific point value and you will give the applications with the highest scores the scholarship and mentorship.

The scholarship program will be publicized via email from you and X's current academic customers as well as to professors at historically black colleges and universities, tribal colleges and universities, and universities in Puerto Rico. You and X will share via social media platforms and have X's sales team reach out to academic customers in which you have relationships with who can help get the word out on their campuses. You have a landing page on your website as well as X's website with information about the program and links to apply.

There are grants worth y dollars each given out yearly. Total grants paid out yearly may increase over time if additional funds are available.

Upon request and mutually agreed upon, awardees have the option to participate in interviews, video story features, and data sharing. The purpose of sharing their story is to help spread the word about the scholarship and STEM programs in general.

You will have a requirement of the students to send receipts within months of receiving the scholarship funds to provide proof that the scholarship went to tuition, room and board, books, or other educational expenses required by their institution.

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