

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201629010**
Release Date: 7/15/2016
Date: April 19, 2016

Employer Identification Number:

Person to Contact - ID#:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B = City
C = Country
x dollars = amount
y dollars = amount
z dollars = amount

Dear _____ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g)(1) and for advance approval of your educational grant procedures under Internal Revenue Code section 4945(g)(3). This is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

Our determination

We approved your procedures for awarding scholarships and educational grants. 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 Code section 4945(g)(1). We also determined your procedures for awarding educational grants meet the requirements of Code Section 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, awards meeting the requirements of Code Section 4945(g)(1) which are made under these procedures are scholarships or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations provide in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a grant program to provide educational grants, including scholarships and fellowships, to individuals to enable them to engage in educational and charitable activities. Specifically, you plan to provide scholarships to

research or activities designed to improve or enhance artistic or literary skills or talent. Such scholarships and fellowships include funds to defray expenses for travel directly related to the aforementioned activities. Your program will be marketed on the internet, through formal mailings, emails and other social media. Additionally, you will market through other non-profit organizations known to you and who support your charitable mission.

4945(g)(1) Scholarship Program

The purpose of the educational scholarships is two-fold. First, the educational scholarships are designed to enable individuals who would otherwise not have the financial means to attend an appropriate educational institution, whether it be an elementary school, a middle school, a high school, a community college, a four-year college or a university. Second, the educational scholarships are designed to award academic excellence. You anticipate awarding annual scholarships up to x dollars per individual for attendance at an elementary school, middle school, high school or community college and up to y dollars per individual attending a four-year college or university. The number of scholarships will be subject to your available funds as well as the number of individuals who apply and are deemed to qualify for such scholarships. Depending on the available funds, scholarships are likely to be renewable. The basis for renewal will be a continued showing of financial need as well as satisfactory academic performance, e.g. a GPA of greater than 2.5.

You plan to limit United States scholarship distributions to individuals studying at accredited schools qualified as exempt from taxation under Sections 509(a)(1) and 170(b)(1)(A)(ii). However, you also anticipate granting scholarships for attendance at non-U.S. schools and, in that case, such schools may not be qualified as exempt from taxation under Sections 509(a)(1) and 170(b)(1)(A)(ii). In such case, the scholarships will be granted for attendance at schools that are equivalent to schools that would be qualified as exempt from taxation under Sections 509(a)(1) and 170(b)(1)(A)(ii).

Individuals will complete a scholarship application. The applicant must show prior academic performance and may undergo tests designed to measure aptitude for the appropriate level of education. Recommendations from instructors, financial need and possibly a personal interview will also be required. The recipients selected will be individuals who have been accepted to an appropriate educational institution, who have good moral character, and who have either demonstrated academic excellence or financial need.

Financial need is generally defined as the amount of a student's total cost of attendance that isn't covered by the expected family contribution or outside grants and scholarships. Financial need may be demonstrated by his or her most recent FAFSA Student Aid Report, financial aid award letter from the educational institution, or similar documentation, such as relevant portions of tax returns indicating costs related to attendance and means to cover such costs. You will require scholarship recipients to provide evidence of enrollment at the appropriate educational institute as well as the

need for future funds. You will distribute the scholarship funds directly to the school or institute.

4945(g)(3) Fellowship Program

The purpose of your fellowships is to enable and encourage individuals to engage in academic research designed to further such individuals' specific area of academic interest. You anticipate awarding fellowships in amounts up to z dollars per individual. The number of fellowships awarded will be subject to your available funds as well as the number of individuals who apply and are deemed to qualify. Fellowships are likely to be awarded on a one-time basis, but may be renewable depending on the nature of the academic research or advance study that the fellowship will support. Renewals will be compliant with the terms of the fellowship agreement and a showing that the academic research or advance study is progressing.

Individuals will complete an application showing past academic research and results, relevant academic or other credentials, recommendations from individuals in the relevant field, and may undergo a personal interview. To be selected, recipients must be individuals who have demonstrated excellence in their chosen field. Excellence may be demonstrated through other recognitions earned by the individual including but not limited to publications in known academic or medical journals, speaking engagements at academic or medical seminars, or showings/performances of artistic works at known venues. In summary, the factors considered will show that the individual has been recognized within his or her own industry or circles. Recipients will be expected to provide evidence of the use of the funds; whether it is progress on a literary work, evidence of research findings or similar evidence.

The number of individuals eligible to apply for scholarships and fellowships will be large and indefinite. None of the requirements regarding academic performance, financial need, past achievement, etc., will be so narrowly drawn that it identifies an individual or a small group of individuals. Eligible scholarship recipients are expected to be in the hundreds. You are located in B and support many programs in C. Primarily, your geographic region will be B and C, but you are not limited to these locations or limited to any specific school district.

Your selection committee, appointed by your Board of Directors, will review the applications and determine the amount. The committee will be composed of board members as well as representatives from the community that have the appropriate credentials to review and vet applications, such as former educators, academia, etc.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) establish that you undertook the supervision and investigation of grants described above.

Basis for our determination

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). 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 of the following requirements of Code 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 section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii); or
 - A prize or award subject to the provisions of section 74(b), if the recipient of the prize or award is selected from the general public; or
 - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

To receive approval of its educational grant procedures, Treasury Regulations section 53.4945-4(c) (1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

Other conditions that apply to this determination

- This determination covers only 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 precedent.

- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You must report any significant changes in your program to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service
Exempt Organizations Determinations
P.O. Box 2508
Cincinnati, OH 45201

- You cannot make 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 must further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code 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'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 any questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements