

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

**Department of the Treasury**

Release Number: **201647013**  
Release Date: 11/18/2016  
Date: August 24, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**  
Y=

UIL: 4945.04-04

Dear \_\_\_\_\_ :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval 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. 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). As a result, expenditures you make under these procedures won't be taxable.

Also, 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 provide in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program.

The scholarship program is open to juniors, seniors, and graduate students who have declared an elementary education major. Each applicant must submit an application form and should include a personal narrative about why he or she wants to teach and what will make him or her an excellent teacher. The numbers and the amount of the scholarship grants are varied depending upon available funds.

You may also consider the following criteria: (a) prior academic performance, (b) recommendation from instructors and any others who have knowledge of the applicant's capabilities, (c) biography information regarding the applicant's career, interests, academic achievements, community service activities, and other relevant experiences,

(d) financial need, and (e) any other conclusions which the grant selection committee may draw as to the applicant's motivation, character, ability, or potential.

The grants will ordinarily be awarded on a one-time basis. Renewing of a grant award will be determined and considered on a case-by-case basis.

The scholarship grants are advertised through your website including the eligible criteria and the application form.

The selection committee is appointed by your Board of Directors. The Board of Directors will approve each award based on the selection committee's recommendations. The scholarship grant will not be awarded to any member of your Board of Directors, any substantial contributor, any employees of Y or their immediate family, or any other disqualified person as defined in Code Section 4946(a) with respect to you.

The scholarship grants may be paid directly to the colleges or universities under an arrangement whereby the educational institutions will apply the grant funds only for enrolled students who are in good standing. The grants may also be paid directly to the individuals. They are required to submit a report on their progress at least once each year. The report must include a summary of the use of the funds, the course(s) taken, and the grade(s) received (if any) in each academic period. The report must be verified by the educational institution. A final report is also required. Transcripts are obtained for all grant applications.

If all or any part of any grant is not being used in furtherance of the grant purposes, you shall take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. If such a diversion occurs and the grantee has not previously diverted grant funds to any use not in furtherance of the purposes of the grant, you shall withhold any further payments to the grantee until you have received the grantee's assurance that future diversions shall not occur and shall require the grantee to take extraordinary precautions to prevent future diversions from occurring. Where a grantee has previously diverted the grant funds, you will follow the same rules in order to restore such grant funds to be used as intended.

#### **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 the provisions of Code section 117(a).

- The grant is to be used for study at an educational organization described in Code 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 Cincinnati Office of Exempt Organizations at:

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

- You cannot 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 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.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements