

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

**Department of the Treasury**

Release Number: **201704024**  
Release Date: 1/27/2017  
Date: November 1, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

LEGEND

UIL: 4945.04-04

B= Program Name  
C= County

x= Number  
y dollars= Amount

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 provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B.

Under B, you will provide up to x scholarships for up to y dollars each year to graduating high school seniors in C and to those who have graduated within the last five years and have not attended a post-high school institution. Your scholarships are awarded for the initial year of college, or technical or vocational school, n with no guarantee of any future financial assistance, but recipients can apply for financial assistance for additional years.

year college in the United States, or at a technical or vocational school that is fully licensed and/or accredited by the U.S. Department of Education. Internet, correspondence learning programs and for profit colleges will not be considered. Further, scholarships will be based primarily upon financial need, community and high school involvement, and scholarship achievement.

Applicants must be citizens or legal residents of the United States. Non-former military applicants must be at least a two-year resident of C upon the receipt of a scholarship award. Former military recipients must have lived in C for two successive years out of the past five and be a one year resident upon the receipt of a scholarship award.

Applicants must also show a financial need. While you have no specific definition or criteria for the measurement of financial need, financial need may include limited family income, parental unemployment, single parent household, unusually high medical expenses, or number of siblings in postsecondary education. In addition, although, you have no minimum academic requirement for B, academic performance will be considered as a factor in the making of a decision.

Applicants must complete your application and submit it on-line on your website. The students should apply with certification from his or her school of financial need and any additional information that the applicant wishes to be considered.

Recipients will be chosen by a Selection Committee which will consist of your board of directors. The Selection Committee will have full authority to approve grants after reviewing the applicant's record as applied or verified by the institution attended by the student. The Selection Committee may also conduct personal interviews, with individual applicants if deemed appropriate to determine the motivation, character and potential of the applicant. The committee will make the final decisions as to both recipients of scholarship grants and the amounts of each grant. All scholarships will be awarded on a completely non-discriminatory basis with no barriers based on gender, religion, race, creed, age, sexual orientation, national origin or disability.

Your Selection Committee must avoid all potential conflicts of interest, private inurement or appearance of impropriety, and no Selection Committee member shall be in a position to derive a private benefit, directly or indirectly, in the selection of potential grantees. No member of a substantial contributor's immediately family is eligible to be a scholarship recipient, as defined in Section 507(d)(2) of the Internal Revenue Code.

You will pay the scholarship awards directly to the college, school or university for the benefit of the recipient for tuition, fees, books and supplies, room and board, or any other like expenses You will not pay scholarships directly to an individual. In addition, you will maintain complete records of all grants and grantees and other such records necessary to fulfill the corporation's obligations under Chapter 42 of the Internal Revenue Code and applicable Treasury Department regulations. You also may employ a paid staff to oversee your grant making procedures.

**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.

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, please contact the person listed at the top of this letter.

Sincerely,

Jeffrey I. Cooper  
Director, Exempt Organizations  
Rulings and Agreements