

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

**Department of the Treasury**

Release Number: **201732036**  
Release Date: 8/11/2017  
Date: May 19, 2017

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

V = Geographic Area  
w = number  
x dollars = dollar amount  
y dollars = dollar amount  
z dollars = dollar amount

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**

You will operate a scholarship program. The purpose of your scholarships will be to assist with the costs of post-secondary education, primarily undergraduate school and community college.

Your program will be primarily publicized through high school guidance counselors. Applicants for the scholarships must be high school seniors attending a four year college or two year community college. You initially intend to focus the scholarship

program on high school seniors in V, or the surrounding area, and who are attending any four year college or the two year community college located in V. However, you may broaden the scholarship program to surrounding counties or states in future years. There will be no restrictions based on race, sex, and religion or employment status. The number of grants to be made annually will be determined by your Board based on the size and character of the applicant pool and your assets.

Applicants will submit a completed application form with a copy of their transcripts, listing of extracurricular activities and financial statements for the individual and parents. Recipients will be selected based on their demonstrated need for financial assistance, satisfactory scholastic record (at least a w GPA), and exhibited leadership potential.

The selection committee shall be comprised of your Board of Directors or a subcommittee of Board members. Relatives of your selection committee, officers, directors, or substantial contributors are not eligible for awards under your program.

The amount of each grant will be determined based on whether the recipient will be attending a four year college or community college, and the financial need of the recipient. For students attending a four year college, the minimum scholarship amount will be x dollars. For students attending community college, the minimum scholarship amount will be y dollars. The maximum scholarship amount per year will be z dollars. However, depending on available funding, your Board has the discretion to increase or decrease the size of the scholarships.

Scholarship payments will be made directly to the educational institution for the benefit of the scholarship recipient. The school will apply the funds to the student's outstanding tuition balance. This process ensures that the scholarship funds are only used for enrolled students in good standing at the college. In the event you allow recipients to apply for a scholarship renewal, scholarship recipients will be required to submit certified transcripts at the end of the school year to verify that the student has maintained at least a w GPA.

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 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 whether 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 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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements