

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

Department of the Treasury

Number: **201809013**
Release Date: 3/2/2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: December 6, 2017

LEGEND
X= School
Y= School
z dollars = 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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will operate an educational program to make grants to assist students from X to attend Y or the college or university of their choosing although preference will be given to those attending Y. The grants will cover the cost of tuition, room and board, fees and other traditional education costs and not fund research or other projects. In general, you intend to make up to four grants annually of up to approximately z dollars each. However, the number of grants, and the amount of each grant, may vary from year to year depending on the number of qualified applicants.

You will disseminate information about your program to teachers, counselors, administrators and other representatives of X. In addition, you plan to solicit applicants through your personal contacts and letters to possible candidates.

To be eligible for your program, an applicant must be a graduating senior attending X with a target 3.0 GPA or higher, who has been accepted to a college or university. Relatives of members of the selection committee, your officers, directors, or substantial contributors are not eligible for your program.

Eligible applicants must submit an application by a specific date to X's counseling office with supporting documents including transcripts, letters of reference, community service documentation, college acceptance letters, scholarships from other sources and other information that you deem necessary in the selection process. Applicants must also prepare a statement on why they should be awarded the scholarship. In addition, you may require applicants to demonstrate financial need.

Your selection committee, which will consist of one or more of your directors and may also include persons not affiliated with you who are knowledgeable in the field of education, will make the final selection of the recipients. To narrow the field to a smaller number of applicants, you may appoint members of the X staff to conduct a preliminary screening to select the best qualified applicants. These selected applicants may then be asked to meet with one or more selection committee members in person or by telephone as part of the evaluation process.

Your selection committee will base the final selection of the recipients on factors including prior academic performance, performance on standardized tests, recommendations from instructors or other individuals not related to the potential recipients, financial need, and conclusions drawn from the applicant's application package and personal interviews as to motivation and character. In addition, your selection committee will give preference to applicants planning to attend Y and will have flexibility to authorize grants to applicants whose GPA is below 3.0.

You will send the recipients an award letter to specify the terms and conditions for each grant. The recipients must sign and return a copy of that letter to you indicating their acceptance of the terms of the grant. Examples of terms and conditions specified in the letter will include the specific purpose of the grant, its duration, the total amount of the grant, the payment schedule for the grant, and if applicable requirements for reports, including due dates for the reports.

Grants are renewable up to four academic years as long as the recipient maintains a minimum GPA of 3.0 or higher. In rare cases, you will have the flexibility to renew grants for recipients whose GPA falls below 3.0.

In all instances, you will pay the scholarship directly to the educational institution who must agree to use the grant funds to defray the recipient's expenses or to pay the funds to the recipient only if the recipient is enrolled at such educational institution and their

standing at such educational institution is consistent with the purposes and conditions of the grant. You will rely on the educational institution to provide you a semi-annual confirmation report to assure you that the requirements of the grant are being met and if not, to advise you of the recipient's failure to meet the requirements. The reports will also show the recipient's courses taken and grades received (if any) in each academic period.

Because you are using the procedures for the supervision of grants described in Treas. Reg 53.4945-4(c)(5) you have not made any provisions for the investigation of jeopardized grants.

You represent that you will maintain the following: (1) all records relating to individual grants including information 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