

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

**Department of the Treasury**

Number: **201811017**  
Release Date: 3/16/2018

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** December 18, 2017

**LEGEND:**

B= scholarship  
C= school  
D= school  
E= committee  
F= organization  
w dollars= amount  
x= number  
y= number

**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 B to help fund tuition and related, qualified expenses (i.e. books, required student fees, etc.) for students attending accredited institutions of higher learning in an amount up to w dollars.

The student must graduate from C with a GPA of x or above. They must also be a graduate from D. The award amount is determined by the number of years in D in which the scholar earns a GPA of y or above and passes all courses at D.

Flyers will be given to each 8<sup>th</sup> grader of C as part of the pre-high school preparation/selection process at C. Each 8<sup>th</sup> grader will receive a packet of information about preparing for high school and the flyer will be part of the packet. All 8th graders at C who meet the criteria can potentially receive B.

All applications will be reviewed and approved by the E. The criteria for membership in the E is that all members be involved in the F and are independent of C and D. No relatives of the selection committee or officers, directors, or substantial contributors will be eligible for B. Additionally, B will not be provided to disqualified persons, foundation managers, family members or relatives of these categories of individuals.

You will maintain case histories showing recipients of B, including their names and addresses, purpose and amount of B, manner of selection and relations (if any) to officers, trustees or donors.

B will be paid directly to the college or university under an arrangement whereby scholarship dollars will not be issued in any year in which the student is not actively enrolled in school. If the student is not actively enrolled in the college or university, there will be an arrangement whereby the funds will be returned. The student will remain an active recipient until the award is fully utilized or up to six academic years after high school.

#### **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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements