

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

Department of the Treasury

Number: **201813020**
Release Date: 3/30/2018

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: January 4, 2018

LEGEND

X= Program
Y= Location
Z= Organization

UIL: 4945.04-04

b dollars = Amount
c 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)). The effective date of this approval is July 13, 2017.

Description of your request

Your letter indicates you will operate a scholarship program called X. Under X, you will award scholarships to students of high school or college age who are attending, or plan to attend, an eligible educational institution. All scholarships awarded to students adhere to nondiscrimination laws to foster and maintain equality of opportunity in education without discrimination or segregation based on race, color, religion, national origin, gender, sexual orientation, age, or disability.

To be eligible for a scholarship, applicants must have a connection to Y. This includes, but is not limited to, having family members who live in Y, having attended school in Y, or residing in Y.

To apply, the applicants should submit a 500-word or less essay incorporating the topics on the application page and submit their latest high school and college (if applicable) transcripts. Essay topics may consist of what Y means to them, favorite memories in Y, an important person in Y, or their connection to Y. Applications are turned in to the Z.

Selection of scholarship recipients will be based on: academic transcripts, the applicant's active involvement in the community, and the applicant's financial need for the scholarship. Relatives of your trustees are not eligible to apply for a scholarship. Trustees make the final decision on scholarship awards.

The number of scholarships awarded will depend on the number of applications submitted to you and your scholarship budget which is subject to change from year to year. Your initial budget for X is expected to be b dollars or less.

The scholarships may be awarded to several students over the course of a calendar year and the amounts of the scholarships may vary in accordance with the number awarded. Scholarships awarded are expected to be no more than c dollars per recipient per year.

To ensure scholarship funds are used for their intended purposes, you will obtain a copy of the recipient's tuition statement. In addition, scholarships are paid directly to the school upon proof of enrollment or a letter of acceptance has been received by the Z.

Scholarship recipients are required to maintain a 2.0 or higher grade point average and remain in good standing with the school they are attending. If the recipient withdraws from classes and the school issues a refund for classes not enrolled, you will request a refund of the scholarship from the school. If the terms of the award are violated, the future funds from the scholarship will not be awarded.

For scholarship recipients to maintain, obtain and qualify for renewal of the scholarship, they must attend a secondary or post-secondary educational institution and maintain a grade point average of 2.0 or higher.

You will retain records and case histories of individuals who receive scholarships, including names of recipients, amount of scholarship, application form and relationship, if any, to your Trustees.

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