

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

Department of the Treasury

Employer Identification Number:

Release Number: **201834014**
Release Date: 8/24/2018
Date: May 31, 2018

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X = Number of scholarships
Y = Grade point average
b dollars = Amount of scholarship grant

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

Your letter indicates you will provide educational scholarships to undergraduate students.

You will provide no more than X scholarships per academic year, in the amount of b dollars, to students pursuing an undergraduate degree or participating in a trade/certificate program. The number of scholarships awarded each year will be voted on and approved by the Board of Directors. Applicants will be selected through an open competition and on an objective and non-discriminatory basis.

The scholarship program will be advertised and publicized by your Board of Directors. The advertisements will include information on the program and any limitations or requirements, information on the application process, names of the award recipients, and you as the granting organization of the scholarship.

Your board will maintain adequate records and case histories of each supplicant, including names, addresses, applications, and any relationship the applicant has to members, officers, trustees, or donors of funds you receive.

The scholarship application consists of the following:

- Name, address, phone number, and email address;
- Cumulative grade point average along with transcript;
- Name and address of High School attended;
- List of any academic honors, awards and membership activities while in High School;
- List of hobbies, outside interests, extracurricular activities and school related volunteer activities;
- List of non-school sponsored volunteer activities in the community;
- List of college planning to attend;
- List of family gross annual income;
- Name, address, phone number of parents or legal guardian; and
- Three references

The selection committee consists of the Board of Directors. No relatives of members of the selection committee, officers, or substantial contributors are eligible to apply for the scholarship.

The criteria used by the selection committee in determining eligibility and choosing a recipient consists of:

- Applicant must be US citizen and have a high school diploma or GED;
- Applicant must have and maintain a grade point average of Y based on a 4.0 scale;
- Applicant must be pursuing an undergraduate degree, or a trade/certificate program, at an accredited college or university in the United States;
- Applicant must provide transcripts, test scores, and their most recent resume;
- Applicant must demonstrate financial need;
- Applicant may provide letters of recommendation;
- Applicant cannot be a disqualified individual; and
- Applicant must complete a scholarship application.

Award recipients will be expected to deliver a progress report to your Board to ensure that the funds were used for their intended purpose and that the grantees are still in good standing.

You represent that your Board will take all reasonable and appropriate steps to recover any misused funds while ensuring that other funds held by the recipient are used for their intended purpose. The Board of Directors will withhold all further payments to the recipient until it obtains assurance from the recipient that no misuse of funds will occur in the future and that the recipient will take precautions to prevent future diversions.

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