

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

Department of the Treasury

Number: **201933021**
Release Date: 8/16/2019

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 20, 2019

Legend:
B = state
C = school
D = city/state
F = accrediting association
G = accrediting association
x = 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 provided in Code Section 117(b)).

Description of your request

You will grant scholarships to academically qualified, but financially distressed, students to attend private schools in grades PK to 12. The purpose of the scholarship is to cover tuition enabling students to receive financial support and access to programs not fully available in the public sector. Students eligible for your scholarships must attend a qualified school located in southern B. You define a qualified school as a school offering classes in grades PK to 12 which is accredited by F or G. An example of one such school is C based in D.

You will market your scholarship using digital and print platforms within a 20-mile radius of the targeted schools. Your promotional materials will be included at the admissions office of these schools and be featured at booths at community events.

You described the criteria for your scholarship criteria as follows:

- US citizen or international student under a joint agreement with a partner school to attend school under an I-20 student Visa in the US
- High school students are expected to have a 2.0 GPA or above a 2.0 SSAT/SEE
 - If below a 3.0 GPA, then the information will be used as a guideline for placement (not acceptance)
- All other students must have 2.0 GPA or above a 2.0 SSAT/ISEE
- One letter of recommendation (preferably written by one of the student's counselors or teachers)
- Copy of the student's current official transcript (must be submitted in a sealed envelope)
- An essay addressing the topic of "why a private school education matters to me"
- Most recent family W-2 an IRS Form 1040 or comparable income tax return

Your selection committee members are independent of any qualified school. Relatives of your selection committee members, officers, directors and substantial contributors are not eligible for scholarships

Your selection committee and board will select recipients without regard to race, color, religion (creed), gender, gender expression, age, national origin, (ancestry), disability, marital status, sexual orientation, military status, or any other discriminatory basis. You represent that you are committed to providing an inclusive and welcoming environment for all children and teenagers that are seeking a positive experience and quality education.

You make your decisions on scholastic merit and financial need. You will assess financial need based on the family tax returns and other forms of financial documentation. You plan to award x scholarships annually, ranging from a quarter of total tuition up to full tuition, based on need and will use the following scale to help determine the amount.

Payment of the scholarship is made directly to the school of the recipient. The school will provide you with a copy of the updated financial statement showing the award applied to the students account. You will review and verify grantee reports as compared to the awards made. If your board determines there was a diversion of grant funds, or the funds were used for anything not approved by you, you will seek clarification from the grantee and the school. If you determine the clarification is insufficient, you will investigate the use of the funds. If you determine the funds were used inappropriately, you will use any remedy available up to and including legal action to recover the funds. Scholarships may be renewed on a case-by-case basis dependent on financial need and academic merit.

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 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