

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

**Department of the Treasury**

Release Number: **201942014**  
Release Date: 10/18/2019  
Date: **July 22, 2019**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL:  
4945.04-04

B = Name  
C = Location  
D = State

w = Number  
x dollars = Dollar Amounts  
y = Number Range

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 a scholarship program called B.

The purpose of B is to assist financially needy high school seniors in the C area. B will cover the costs of tuition, fee, books, equipment and supplies to enable the recipients to attend the state university of their choice in D in order to obtain an undergraduate college education.

Under B, you plan to award a maximum of w renewable scholarships each year for an annual amount in the range of x dollars over four years, based on the quality of the applications that you receive. In addition, the amount of the award is based on current tuition costs in D and the amount of the award may be increased if the cost for in-state tuition and fees in the D system increases.

To be eligible to apply, students must be:

- U.S. citizens or permanent residents of the United States;
- Residents of one of three specific counties in the C metropolitan area;
- Current high school seniors enrolled in these counties' public or private high schools;
- Planning to attend one of the public universities in D as a fulltime undergraduate student;
- High academic achievers who have overcome significant obstacles in life;
- Able to show financial need as demonstrated through the FAFSA report;
- Able to show involvement in the community through volunteer service.

To promote B, you will send information directly to the counselors in the targeted high schools and to their supervisors in the administrative offices. Students also learn about B through free internet scholarship sites.

To apply for B, students must submit an application package with necessary attachments such as transcripts, references and financial information. Students must also submit an essay addressing how they have overcome a major obstacle in their life.

All applications will initially be screened by your scholarship administrator who has substantial experience in administering scholarships in C. The scholarship administrator will then select in the range of y semifinalist applications for review by the selection committee which is made up of your founder and their family members plus one more person. The selection committee will choose the best qualified applicants based on the strength of their application and their demonstrated financial need. Preference will be given to students who are the first generation in their family to attend college.

All scholarship payments are made to university financial aid offices, not to the recipients. The universities must also agree to return any of unused scholarship funds to you.

Furthermore, the scholarships under B are renewable annually for an additional three years as long as the recipient:

- Maintains fulltime status at the school which is at least 12 credit hours;

- Provides a transcript after each academic year showing a GPA of 3.0;
- Provides an essay assessing their personal, academic and professional growth over that academic year.

Recipients must also graduate with an undergraduate degree in four years or less. However, if a recipient has extenuating medical or personal issues, the scholarship may be suspended for a year while those issues are resolved.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and withhold further payments to grantees until you obtain grantees' assurances that future diversions will not occur and that grantees will take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

#### **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