

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X= Name
B = State
C= Name
D= Names
j 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)).

Description of your request

Your letter indicates you will operate a grant making program called X. The purpose of X is to award scholarships to high school students, high school graduates, or individuals with the equivalent of a high school diploma to enable them to attend an educational program at a qualifying educational institution such as a college or a trade, technical, or secondary educational institution of their choice in B.

To promote X, you will post information on C's website. You will also promote X by providing application materials directly to several educational institutions located in the B counties of D as well as to their guidance counselors. Furthermore, you will reach out to local representatives at Children Youth Services.

To be eligible for a scholarship, the applicant must:

- Be a high school graduate by June of the year in which the scholarship will be awarded;
- Demonstrate that in order to attend the educational institution of their choice, they require financial assistance in addition to the financial aid provided by such educational institution;
- Be among the first in their immediate family to attend a secondary educational institution;
- Meet the eligibility requirements for the Federal Pell Grant or the B state grant program;
- Attend an educational institution described in Sections 501(c)(3) and 170(b)(1)(A)(ii) of the Code that is located in B.

Applications will be reviewed by a selection committee that consists of your individual co-trustees, who shall serve as co-chairs. The co-chairs of the selection committee are responsible for appointing all members of the selection committee. Furthermore, the selection committee may include a maximum of local volunteers who have knowledge or experience related to higher education attendance, preferably through employment or volunteer service at high schools and/or colleges in the B counties of D.

In addition, all members of the selection committee must adhere to your relevant policies as they may be adopted and amended from time to time, including without limitation, a conflict of interest policy. Further, all selection committee members will be obligated to disclose to the selection committee any personal knowledge of, or relationship with, any potential grantee under consideration and shall refrain from participation in the award process in a circumstance where they would derive, or could be perceived to derive, directly or indirectly, a private benefit if any potential grantee or grantees are selected.

To evaluate applications, the selection committee will consider prior academic performance, performance on aptitude tests, recommendations from instructors, financial need, and other facts and circumstances such as the conclusions that your selection committee might draw from a personal interview regarding the individual's motivation, character, ability, or potential. The selection committee may also consider the applicant's place of residence, past or future attendance at a particular school, past or proposed course of study, or evidence of their artistic, scientific, or other special talent. In addition, preference may be given to a potential grantee of a particular sex, gender, race, ethnic background, or religion so long as such preference does not violate any federal, state, or local law or regulation.

After evaluating the applications, the selection committee will provide the trustees with a grant slate of proposed recipients for them to review in accordance with the criteria for selection. If approved by your trustees as being consistent with your charitable purposes and those of X, they will consent in writing to the proposed grant slate. In addition, your trustees will consent to a grant slate as a whole and may not oppose individual grantees or scholarships on a grant slate. If the trustees do not consent to a grant slate as presented by the selection committee, the selection committee will continue to submit additional grant slates to the trustees until a grant slate is consented to by the trustees. Grants made pursuant to the grant slate may be distributed on a rolling basis throughout the remainder of the same fiscal year.

Under X, you will award scholarships for up to j dollars per year which can be renewed for future years, if warranted, based on the applicant's need and academic progress. The scholarships have a term of one academic year for up to j dollars but may be for a shorter or longer period, as determined by the selection committee and as indicated on the grant slate. In order to demonstrate that the recipient continues to meet the criteria for renewal, they must complete the renewal request form by a specific due date which requires a recipient to provide you with updated and current personal financial information, including a free application for Federal Student Aid (FAFSA), a financial aid award letter and transcript from the educational institution at which the scholarship is being used, and a statement from the recipient regarding their progress at such educational institution toward their academic goals. The renewal request will then be considered by the selection committee and included on the grant slate as a renewal scholarship. The number of scholarships awarded in a given year will depend on your available funds and the number of scholarship renewals included on the grant slate in such year.

If you receive information indicating that a recipient has violated the terms, you shall take all reasonable and appropriate steps to recover the scholarship and/or ensure restoration of the diverted funds to the purposes of the scholarship. If such a diversion occurs, you will withhold any further payments to such educational institution or to or for the grantee, as applicable, until you have received the assurance of the educational institution and/or the grantee that future diversions shall not occur and shall require the educational institution and/or the grantee to take extraordinary precautions to prevent future diversions from occurring.

You represent that you will maintain all records related to the following: (1) individual grants including information to evaluate grantees, (2) grantees which are identified as a disqualified person, (3) how the amount and purpose of each grant was established, and (4) how you established supervision and investigation of the grants described above.

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