

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

**Department of the Treasury**

Number: **202015030**  
Release Date: 4/10/2020

**Date: January 13, 2020**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

X= Name  
Y= Name  
Z= Church

UIL: 4945.04-04

b dollars =

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 and educational grants. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships and educational grants meet the requirements of Code Sections 4945(g)(1) and 4945(g)(3). As a result, expenditures you make under these procedures won't be taxable.

Also, Section 4945(g)(1) 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.

Your purpose is to support programs for education, health, and medical needs of youth and young adults involved in religious organizations.

The purpose of your program is to award scholarships to deserving low-income high school seniors. Under your program, you will award scholarships called X and Y.

The purpose of X is to provide grants to enable qualified students to further their education at a four-year accredited university in the U.S who for financial reasons might be otherwise unable to attend a four-year university. X is available to:

- Members of Z;
- Children of Z's members;
- Participants in Z's youth camps or other religious activities;
- Children of missionaries supported by Z;
- Children of missionaries supported by members of Z's congregation.

The purpose of Y is to provide grants to students from other countries who either are here with lawful immigration status or can gain lawful immigration status in the United States in order for them to further their education at a four-year accredited university in the U.S.

Under X and Y, you may make distributions which have components of both IRC Sections 4945(g)(1) and 4945(g)(3). Examples of distributions under Section 4945(g)(1) are scholarships for recipients to attend a qualified educational institution to pursue a formal course of study. Examples of distributions under Section 4945(g)(3) are living expenses, transportation expenses, and travel expenses. Travel expenses would be paid if a scholarship recipient's residence is in another state or country in order for the recipient to travel from their home residence to the educational institution. In addition, your current plan is to award one X scholarship and one Y scholarship each in the range of b dollars until resources allow you to increase the number of scholarships. This plan is also dependent on the number of applications received and the demonstrated financial need of the applicants.

X will be advertised through all appropriate programs of Z while Y will be advertised through public and private high schools in the local area. In addition, there will be materials including the application forms for both programs available on the internet.

All applicants for X and Y must provide a completed application form along with the following:

1. An up to date official transcript from Grade 10 through the first term of Grade 12;
2. A copy of their FAFSA, and any other financial information that will assist in determining financial need;
3. Letters of recommendation from individuals who know the student well. These letters must be submitted in sealed envelopes and the student must waive any right to see them;
4. An essay about themselves, their plans, and how this scholarship will affect those plans;
5. A description of the sources and amounts of all other awards and scholarships they have received. In addition, they should name the schools they are considering attending and the reasons why they are considering these particular schools.

All applications for both X and Y will be reviewed for completeness by your scholarship committee consisting of your president and one other board member. The scholarship committee will then evaluate and rank complete applications to select finalists based on but not limited to the following criteria:

- Academic achievement(s);
- Financial need;
- Involvement in extra-curricular activities;
- Appropriate faculty and non-faculty recommendations;
- Expectations for success in a university setting.

Moreover, applicants with a GPA under 3.0 or who cannot demonstrate significant financial need are unlikely to be selected unless there are unusual or extenuating circumstances.

Concerning payment, you will usually pay both X and Y directly to the educational institution for qualified expenses. In some cases, the Y recipient may be provided funding to live off-campus not to exceed the fair market value of room and board available on the open market in the area within a five-mile radius of the educational institution. You will also consider providing funds for students to commute to and from their off-campus housing to the educational institution. This may take the form of a monthly transportation allowance to provide for the use of public transit in the area of the educational institution. Furthermore, you will directly pay travel expenses directly to the recipient. In all cases where you provide funding directly to the recipient, the recipient will be required to provide you with receipts and other documentation for verification. If proper documentation is not provided upon request, you will investigate and take all reasonable and appropriate steps to learn how the funds were used or recover any funds diverted to improper uses.

The scholarships may be renewable for up to three years, depending upon academic performance and need of the recipients. The recipients must complete a new application each year, provide transcripts and maintain a 2.5 GPA or the equivalent.

In addition, any student who ceases to be enrolled or does not maintain a satisfactory record of academic achievement, will also cease to be eligible to receive scholarship funds. Furthermore, if a student's economic status changes and they are no longer able to demonstrate financial need, then they will no longer qualify for scholarship funds.

You represent that you will complete the following: (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purposes, (3) take all reasonable and appropriate steps to recover the diverted funds, ensure other grant funds held by the 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 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.

You will check the OFAC List of Specially Designated Nationals and Blocked Persons for names of individuals and entities with whom you are dealing to determine if they are included on the list. You will comply with all statutes, executive orders, and regulations that restrict or prohibit persons from engaging in transactions and dealings with designated countries, entities, or individuals, or otherwise engaging in activities in violation of economic sanctions administered by OFAC. If necessary, you will acquire from OFAC the appropriate license and registration.

### **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 Section 117(a) and is to be used for study at an educational organization described in Section 170(b)(1)(A)(ii); or
  - A prize or award subject to the provisions of Section 74(b), if the recipient of the prize or award is selected from the general public; or
  - To achieve a specific objective; produce a report or similar product; or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar skill or talent of the recipient.

Under 4945(g)(3), to receive approval of its educational grant procedures, Treasury Regulations Section 53.4945-4(c)(1) requires that a private foundation show:

- The grant procedure includes an objective and nondiscriminatory selection process.
- The grant procedure results in the recipients performing the activities the grants were intended to finance.
- The foundation plans to obtain reports to determine whether the recipients have performed the activities that the grants were intended to finance.

### **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