

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

**Department of the Treasury**

Number: **202017029**  
Release Date: 4/24/2020

**Date: January 30, 2020**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

M = Name

x = Number

y dollars = Amount

UIL

4945.04-04

Dear

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code (IRC) 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 IRC 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 IRC Section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program. Your program will involve providing scholarship grants to high school seniors who are members of M, which is recognized as exempt under IRC Section 501(c)(14).

To be eligible to apply for a scholarship, students must meet the following criteria:

- Be a member of M;
- Be planning to attend an accredited college or university, or two- to four-year community, vocational, or technical college;
- Be a full-time or part-time student;

- Cannot be a previous recipient of the scholarship;
- Cannot be an employee, director, or committee member (or child or grandchild thereof) of you or M.

Your program is publicized through a website, statement messaging by M, lobby displays at M's facility, direct mail, newsletters, and email.

The selection of recipients will be based on merit. Students must submit a completed application, essay, academic records, and letters of recommendation. Applicants must describe their participation in co-curricular activities and service to the community as well as their achievements and honors.

The number and amounts of the individual scholarship will be determined annually by your board of directors. In making such determination, the board will consider the level of funding as well as other charitable purposes in which you will be engaged. You expect that x scholarships in the amount of y dollars each will be available to start your program.

Your scholarships are non-renewable. Each scholarship is awarded in one single payment. You will condition the disbursement on the recipient enrolling at their selected post-secondary education institution.

You will make scholarship awards payable directly to college or university that student attends. The scholarship recipient will be required to provide a fee statement from their selected post-secondary education institution. You will send payment to the school with a copy of the fee statement and an explanatory letter that it is in fulfillment of a scholarship award to the student and is to be applied to the amount due the school by the student.

Your selection committee will be appointed by your board of directors. Your bylaws provide that the members of a committee appointed by the board may be, but are not required to be, members of your board. You intend to appoint selection committee members for one-year terms.

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, and (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.

**Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (IRC 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 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 IRC Section 117(a).
- The grant is to be used for study at an educational organization described in IRC 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 IRC 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