

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

Department of the Treasury

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Date: February 6, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

UIL: 4945.04-04

LEGEND

X = City

Y = State

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 provide in Code Section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program. The purpose of your program is to provide educational funding for needy international students who graduate from a high school in the city of X in the state of Y to attend a college or university in the United States.

You will provide educational grants to eligible recipients to pay for expenses related to attending an educational institution in the United States. Eligible expenses include tuition and fees, course related expenses, books, supplies, and equipment. Room and board,

travel, research, clerical help, and non-required equipment are not included in the educational grants.

The amount of the scholarship will vary depending on the selected student's financial need, the amount funds available, and the number of applicants. The scholarships will be announced by advising the administration and parties in charge of the international student organizations at the two high schools located in X.

The applicants must fill out an application, submit a one-page document where they tell their story, and have an interview with the selection committee. You require that the applicant must be a needy international student who attends a high school in X and will attend college in the United States. The criteria used to determine who receives a grant includes the individual's inability to pay, the strength of their academic history, proficiency in English, recommendation from a current or prior academic advisor, and other relevant criteria.

Your Board of Directors will be the selection committee. The criteria for board membership are to have a genuine interest in furthering the education of international students who have a history of academic excellence and a proven desire to do well in a United States educational institution after high school.

You will be in close contact with the college or university that the recipient attends. Eligible recipients will be required to maintain an acceptable grade point average. They will also be subject to the school's opinion that the recipient will benefit and/or is benefitting from the educational opportunities the school provides and is making reasonable advances and progress in learning. All funds will be closely monitored, and detailed records will be kept.

Supervision of the grant is done by reviewing the grades and tests scores and communication with the academic office of the educational institution attended by the recipient. Each semester the grades of the recipient are reviewed by the board. If the eligible recipient is performing poorly or contrary to the expectations of the educational institution, the grant would be terminated.

All scholarships will be directly paid the college or university to avoid any mishandling of funds. There will be a written agreement that such funds are to be applied to the tuition and fees, and course related expenses such as books, supplies, and equipment. If the school admits the recipient to attend but does not apply the scholarship funds to the student's expenses, you will refer them to the Y Attorney General.

You represent that you will complete the following: (1) arrange to receive and review the grantee reports annually and upon Completion of the purpose for which the grant was awarded, (2) investigate diversion of funds from their intended purpose, (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 purpose, 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 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 letter supersedes our letter dated July 11, 2019.
- 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