

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Number: **202026003**

Release Date: 6/26/2020

Date: April 2, 2020**Department of the Treasury****Employer Identification Number:****Contact person - ID number:****Contact telephone number:****LEGEND**

T = Scholarship
U = County, State
V = College
W = Scholarship
x dollars = amount

UIL: 4945.04-04

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 called T.

The purpose of T is to create educational paths for the daughters of agricultural workers in U. Scholarships will be awarded to young women entering a two-year degree program at V to study agriculture and natural resources. Approximately five scholarships in the amount of x dollars each will be awarded annually. Amounts are based on your budget and V's estimated cost of attendance. Amounts awarded will cover eligible, non-tuition educational expenses at V and will be deposited in the V Foundation and distributed to

students as part of their financial aid package. If graduates of V are accepted to a four-year institution, T will continue to provide financial support, but the amount of the scholarship may vary based on total financial need and other sources of aid received. You will publicize T via emails and announcements in partnership with V, high schools in U, local nonprofit organizations, trade associations, and other organizations with a focus on agriculture and natural resources.

Those eligible to apply are daughters or transgender females whose families work in the agricultural industry. Applicants must submit the T application, two recommendation forms, enroll at V and register to study agriculture and natural resources, and apply for the W and other financial aid by completing the FAFSA (Free Application for Federal Aid) form.

Scholarships will be awarded on an objective and nondiscriminatory basis. The selection criteria will include, but not be limited to, academic performance, financial need, interest in specific agricultural careers, interest in working and living in U, personal essay questions, and teacher recommendations. The selection committee will be composed of selected members of your board of directors and staff and professionals working with youth in U. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

Scholarships will be distributed and renewed provided the student is in good academic standing. V's scholarship office distributes scholarship awards directly to students in good academic standing. T will maintain one-one-one mentoring relationships with students. Awards will be curtailed if student withdraws or is no longer in good academic standing.

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 a grantee are used for their intended purposes, and (4) 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 the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purposes of each grant, and (4) establish that you undertook the supervision and investigation of 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.

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