

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

Department of the Treasury

Date: November 10, 2020

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Number: 202105012
Release Date: 2/5/2021

LEGEND
X= School
y 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 provided in Code Section 117(b)).

Description of your request

Your letter indicates you will award an educational scholarship to a college-bound high school senior who demonstrates academic achievement, financial need, and an interest in pursuing a degree in business or entrepreneurial business.

The scholarships are listed on the X website. Students eligible to apply must be a graduating senior at X intending to continue their education at a four-year college. Previous scholarship recipients cannot re-apply. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for scholarships under your program.

In order to apply, eligible students must submit a scholarship application on the form provided by the X Board of Education by a specific date.

Your trustees determine the recipient of the scholarship by reviewing application materials and essays submitted by applicants. When selecting recipients, consideration will be given to academic achievement, financial need, school and sport involvement, and the student's community service record.

You will award one scholarship annually, currently fixed at y dollars, payable in two equal installments. Scholarships are not renewable.

Upon receiving proof of enrollment from the recipient's choice of a four-year college, two payments will be made, one for the fall semester and one for the spring semester. Scholarship recipients must attend classes and maintain no lower than a 2.75 grade-point average.

Recipients shall provide reports and/or grade transcripts prior to distribution of funds, demonstrating they have maintained the required minimum grade-point average. If the recipient is unable to maintain the grade-point average, the scholarship to such individual shall lapse.

You represent that you will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a 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 relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook adequate supervision and investigation of diversion of grant funds.

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