

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Number: **202114026**

Release Date: 4/9/2021

**Date: January 12, 2021****Department of the Treasury****Employer Identification Number:****Contact person - ID number:****Contact telephone number:**

## LEGEND

C= City

D= Name

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 operate a scholarship program.

The purpose of the scholarship program is to support young adults in the geographical area of C in order to provide them necessary funding in obtaining an optimal education. Another goal of the scholarship is to make student loans for the recipient unnecessary, so the student may graduate and begin their career without any financial burden associated with the cost of education. To promote the scholarship program, you will rely on word of

mouth through individuals familiar with you and C, who will refer students they believe merit consideration.

Under your scholarship program, you will provide need-based scholarships to recent high school graduates in or around C, who are seeking postsecondary education generally for pursuing an Associate's or Baccalaureate degree, but you may consider awarding scholarships to students pursuing post-Baccalaureate education in certain circumstances.

Additionally, your scholarships are characterized as "last dollar" scholarships. Specifically, the amount awarded per recipient will be the ultimate difference between the total estimated cost of the recipient's education per year (including tuition, fees, books, and, if applicable, room and board) and the total financial aid received from other sources, including federal grants, state grants and other scholarships.

To be eligible for a scholarship, the student must have graduated from a high school in or around C and begin within 24 months of graduation, or has already begun, attending a postsecondary institution. You also expect all applicants to file a FAFSA form for the applicable school year and apply for D if attending an in state educational institution.

To apply for a scholarship, the student must complete your application form, explain their long terms educational and career goals, provide detailed information including a list of all scholarships and other source financial aid.

All applications will be reviewed and evaluated by a selection committee composed of your board of directors based on the following:

- Their description of a clearly defined, goal or plan for their future, which must be meet by higher education;
- Their demonstrated commitment and motivation in achieving their goals;
- The establishment of a clear financial need;
- Their established and confirmed connection to the C community.

The selection committee will require the most qualified applicants participate in at least one interview to determine the recipients. All scholarships will be awarded on an objective and nondiscriminatory basis.

You will pay scholarship funds directly to the applicable educational institution as long as the institution agrees to notify you if a student is no longer in good academic standing or has dropped below 12 hours of enrollment.

To renew the scholarship for each year, the recipient must:

- Generally, maintain a cumulative grade point average of 2.5 or higher;
- Demonstrate consistent progress towards their educational goal;
- Remain in good academic standing;

- Maintain enrollment for at least 12 hours of coursework per semester, unless agreed upon otherwise.

Students who may be in violation of the terms of the scholarship will be given a written warning and provided academic or other support as appropriate. In the event that a recipient is not succeeding and is not motivated to change after your intervention, you will terminate the award.

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.

### **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