

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

**Department of the Treasury**

Number: **202117022**  
Release Date: 4/30/2021

**Date:** February 3, 2021

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

X = Program  
y dollars = Amount  
z dollars = Amount

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 X. The purpose of X is to support deserving young women who are high school graduates who are pursuing a college education and demonstrate financial need. X is available nationwide with no preference given to any particular high schools, colleges, or universities. X is also available to anyone pursuing a graduate education.

To be eligible to apply for X, the applicant must:

- Have a minimum GPA of 3.0 in high school
- Provide an official high school transcript or university transcript for renewing application
- Provide two letters of recommendation
- Provide a personal statement with a maximum of 500 words that reflects the applicant's need for financial assistance, and
- Must plan to attend or be attending an accredited 2- year college or 4-year university full-time.

X will be publicized on your website. Your scholarship is renewable, can be renewed for up to four years if the recipient submits a renewal application each year that demonstrates continued eligibility. The terms of the scholarship award require that the recipient be enrolled and successfully complete a minimum of 12 credit hours each semester (or the equivalent under a quarter system) and maintain a minimum cumulative GPA of 3.0 at the end of each academic year.

Your recipients will be selected by a committee which was established to ensure that all applicants are thoroughly considered, and eligible candidates selected. Your applications will be reviewed based on financial need and scholastic performance. You have no limit to scholarships awarded annually.

Typically, the amount of each scholarship will be approximately between y dollars and z dollars. The amount will be divided per semester or quarterly depending on the institution. You award scholarships directly to the educational institution.

If you become aware that the recipient is not using the scholarship funds for educational expenses, you will investigate. During the investigation, you will immediately withhold further payments, and if it is determined that the recipient has used any part of the scholarship for improper purposes, you will take reasonable and appropriate steps either to recover the funds or to ensure that the diverted funds are repaid. This may include pursuant of legal action against the recipient, if appropriate, unless legal action would not likely result in the satisfaction of execution on judgment. You will reconsider providing the recipient with additional scholarship funds only after the recipient assures you that future diversions will not occur and agrees extraordinary precautions to prevent future diversions.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and 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 the supervision and investigation of 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.

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