

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

Department of the Treasury

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Employer Identification Number:

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Contact person - ID number:

Contact telephone number:

LEGEND:

UIL:4945.04-04

X = scholarship program
Y = city/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

You will operate a scholarship program called X for incoming undergraduate students and current full-time undergraduate students each academic year.

X will be open to all students without regard to race, creed, color, nation origin, sex, or religion and will be publicized through each college and/or university's scholarship or financial aid office. Each school will have an application available for applicants to complete in their respective offices and/or scholarship application systems.

To be eligible, an applicant must be a full-time student from the greater Y metropolitan area. Candidates must fill out an application; provide reference letters that must be from a professor, school official, or other adult who knows the applicant well; and submit an essay that discusses the individual's life, interests, dreams and aspirations, a description of what the scholarship means to them, and provide their perspective on the significance of human and civil rights in the past, present, and future.

Applicants will be evaluated based on their:

- Collegiate GPA (or ACT and/or SAT scores)
- School activities, leadership roles, and honors (high school/college)
- Outside activities (including employment and volunteering)
- Attendance or affiliations with other colleges/universities
- Family estimated annual income
- Amounts of other college scholarships or financial aid received

The number of scholarships awarded each year will be determined by your Board of Trustees. The total value of scholarships awarded each year will be based off the Internal Revenue Service distribution requirements for Private Foundations. The individual amount of each scholarship will be based on the amount of funds available to be awarded each year by dividing that amount evenly amount the total number of scholarships to be awarded that year. The scholarship for each student will then be divided in half so that an equal amount is awarded for the fall and spring semesters.

Scholarships can be renewed each year for up to four total years or when the student graduates, whichever comes first. To maintain the scholarship between semesters, and to qualify for renewal of a scholarship, a student must:

- Be a full-time student from the greater Y metropolitan area
- Maintain a "C" average while enrolled
- Remain in good standing while enrolled with the school

Each year during your annual Board of Trustees meeting, representatives from colleges and universities will present new applicants for consideration as well as present candidates who are eligible to have their scholarship renewed for the following school year. Grade transcripts will be provided when necessary to confirm a student's status and grade point average.

Scholarship funds will be paid directly to the school attended by the recipient. If a scholarship recipient violates set criteria, the school will inform the recipient they are no longer eligible to receive funds and representatives from the school will no longer recommend the student for renewal of the scholarship to your Board of Trustees.

Recipients of X are selected by your scholarship committee. Members of this committee are nominated members of your Board of Trustees based off their passion for promoting your mission through X, however, an individual nominated to be a committee member is

free to accept or deny the position. At all time, the committee will consist of at least two members of your Board of Trustees. Relatives of your officers, directors, substantial contributors, and selection committee are not eligible for any awards.

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 diversion from occurring.

You represent that you will maintain case histories and document recipients of grants, including names, addresses, amount of grants, purpose of grants, manner of selection, and proof that they were not related to officers, trustees, or donors.

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