

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

Department of the Treasury

Release Number: 200938033
Release Date: 9/18/09
Date: 6/25/09

Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

UIL: 4945.04-04

LEGEND

M = Foundation
N = Scholarship Program
P = Related Organization
x = Scholarship Dollar Amount

Dear

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated April 23, 2009.

Our records indicate that M was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter dated April 23, 2009 indicates that M will operate a grant-making program, called N.

The purpose of M is to provide scholarships to members of P and their dependent children.

The purpose of N is to offer educational grants to eligible students on undergraduate and graduate levels for the purposes of academic study in any field including broadcast, journalism, and labor relations, or for professional training in the arts.

The criteria to determine eligibility for the grants are:

- The individual must be the dependent child of a P member in good standing for at least five (5) years or the dependent child of a deceased P member who, at the time of death, was a P member in good standing for at least five (5) years.
- The individual must have a high level of academic achievement and a financial need.

Recipients are selected based on the eligibility criteria listed above. Potential recipients must submit an application form and provide supporting documentation to be considered for a grant. In their application form, the applicant must provide the following:

- The individual must provide their high school or college transcript.
- The individual must provide an original essay giving the selection committee a fuller picture of the applicant or of an experience or person that has significantly influenced the applicant.
- The individual must provide a copy of the applicant's last Federal tax return and a copy of the last Federal tax return of the applicant's parent or guardian.
- In addition, the individual may also provide an Advisor Form and/or a performing arts letter of recommendation.

The yearly number of scholarships awarded ranges from twelve (12) to fifteen (15). The current amount of each scholarship is x dollars. The scholarships are one-time awards and are not renewable to the recipient.

Scholarship winners are selected by the M Scholarship Committee. Members of the Scholarship Committee must excuse themselves from the selection process if a family member of the Scholarship Committee member applies for a scholarship.

No scholarship award becomes effective until the awarded applicant has been enrolled in the college to which he/she has been admitted. In the estimation of M, since the scholarship award is not renewable, this reduces the potential for misappropriation of funds, which they contend is more likely in renewable awards that can become quite substantial. Restitution of misappropriated scholarship funds will be handled internally between P (under the direction of its general counsel) and the applicable P member.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or

- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director, Exempt Organizations
Rulings and Agreements