

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

Department of the Treasury

Number: 201304009
Release Date: 1/25/2013

Employer Identification Number:

Date: October 29, 2012

Contact person - ID number:

Contact telephone number:

LEGEND:

UIL: 4945.04-04

X= scholarship

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 that you will operate a grant-making program called X.

The purpose of X is to provide educational grants in the form of scholarships that will be used for qualified tuition and related expenses.

Your grants will be provided to individuals without regard to educational institution or geographical location. The number of grants that you will make annually will be based on the needs of the applicants and the availability of funds of X. No recipients of the grants will be disqualified persons.

X will be publicized to members of the community by word of mouth through your trustees and by past scholarship recipients. You intend on informing as many individuals as possible about X to ensure a large enough pool of applicants and therefore an unbiased

selection process; including approximately 300 annual potential applicants. Most of your applicants will be from the general location of the local community, but you will not limit the applicants to that community. Your application process will be open to any student attending or seeking to attend a college preparatory or post-secondary education.

Your key criterion for choosing grant recipients will be a demonstrated commitment to enhancing one's knowledge by enrolling in various classes or seminars provided by an educational institution. The grant recipient must be a student attending or seeking to attend an educational institution, and the grant must be used for the recipient's tuition and related expenses at the educational institution. To ensure that the criterion of a demonstrated commitment to enhancing one's knowledge is met, you will only pay for the costs associated with education. Each recipient must provide a listing of courses taken and a copy of the grades received upon completion of the course. You also will contact each grant recipient to discuss their education.

Grant funds will be paid directly to the educational institution to cover tuition expenses. If the particular educational institution does not accept payments, you will pay the individual recipients directly. The grant recipient must agree in writing to use the grants for enrollment in an educational institution or for expenses associated with education. You will retain complete records of all grants awarded. The records will contain the name and address of the grantees (including any relationship of any grantee to you or to any of your directors or officers) the completed application of each grantee, the amount of the grant, the date(s) of each grant payment, and evaluation reports from the grantees. You will require a written progress report from each grantee annually, and you will mandate that receipts be provided from the grantee to substantiate the use of grant funds, and how such use fulfilled the grant purpose. If you determine that all or part of a grant is being diverted from its intended purposes, you will take all reasonable and appropriate steps to recover funds and/or to ensure the restoration of the diverted funds. You will take legal action if deemed appropriate under the circumstances.

You will not discriminate on the basis of race, religion, or any other preferential basis. You will award grants on an objective and non-discriminatory basis. You will not award grants to compensate recipients for performing personal services for you, any grantor, trustee, or other related party. You will not award grants to any creator, founder, officer, director, or to members of the founder's family, or to any disqualified person, or for a purpose that is inconsistent with the purposes set forth in Section 170(c)(2)(B) of the Internal Revenue Code.

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,

Holly O. Paz
Director, Exempt Organizations
Rulings and Agreements

Enclosure:
Notice 437
Redacted Letter