

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

**Department of the Treasury**

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Date: **February 27, 2013**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

UIL: 4945.04-04

## LEGEND

B – name of high school  
C - website address  
E – Date of request  
X – Scholarship name  
Z - name of city  
\$d – dollar amount  
\$y – dollar amount

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g) on E. 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.

The amount of X is \$y. Each year you will award one scholarship to a single individual for use in the pursuit of a post-secondary education. You will provide the selected individual with an annual stipend of \$d for four years. X is designed to provide important resources to a financially limited student who has passion, drive and intelligence, and who may not otherwise qualify for assistance.

You will publicize X on your website and through local media outlets in Z. The X will also be publicized by the administration of B by posting flyers and announcing reminders of the application deadline.

Applicants are required to apply online for the X at C. In order to be considered for X, the student must be a senior at B in Z who plans to attend a post-secondary institution.

The X is a needs based scholarship. Students who are in need of financial assistance to attend post-secondary schooling will be priority candidates. All members of each year's senior class at B are eligible to apply. The X can be used at any accredited post-secondary educational institution. The recipient must attend college the semester following his or her graduation in order to receive the scholarship. The recipient must maintain a cumulative GPA of at least 3.0 in order to qualify for renewal of the annual d award. The recipient also must meet with your president for mentoring twice per year to discuss the progress of his or her post-secondary education. The purpose of the two mentoring meetings is to ensure the terms of X are met before the terms could possibly be violated. Finally, the recipient must give a presentation to sophomores and juniors of B to promote awareness of the scholarship to those students who are in need.

You have formed a selection committee comprised of your board members. The criteria for committee membership are the same as the criteria for board membership. Replacement of a board member would result in the same replacement of a committee member. Valuable input will be provided by administrators of B but will not be involved in the actual selection of X. Relatives of members of the selection committee, or of your officers, directors or substantial contributors are not eligible for awards under your program.

The recipient of X will be supervised by your board members. You will obtain reports and grade transcripts from recipients. Payments of awards will be given directly to the educational institution on behalf of the recipient. If the terms of the award are violated, you will attempt to take corrective actions in order for the award to be continued.

You will (1) arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, (2) investigate diversions of funds from their intended purposes, and (3) 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 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 will supervise and investigate diversions of grants from their intended purposes.

### **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,

Holly O. Paz  
Director, Exempt Organizations  
Rulings and Agreements