

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201343027**

Release Date: 10/25/2013

Date: July 30, 2013

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B = scholarship
C = individual
D = competition
E = business
F = organization
w = dollar amount

UIL:

4945.04-04

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 Code section 117(b)).

Description of your request

Your letter indicates you will operate a scholarship program called B; in memory of C. The purpose of B is to help recipients, through their education, make a positive contribution as future leaders. Your scholarship was first announced at the D finals and is continuously publicized through press releases and on the web sites of E and F. B consists of a four-year annual scholarship, of w dollars each year. Only one grant will be made annually and 'thousands' are eligible to apply.

To be eligible, prospective grant recipients must be high school students who, in their junior or senior year, participated on a D team which submitted a qualifying score. A qualifying score is determined by D, but generally means a team that was invited to D's national finals. Relatives of the selection committee, your officers and directors, and substantial contributors are not eligible for the award.

In choosing among applicants, the selection committee looks to identify young people with traits, values and aspirations in common with C. They will seek those who uphold C's motto. Other criteria include grade point average and other academic scores.

To continue in the program, you will require the recipients to maintain a grade point average in their college courses of at least 3.0. Recipients must also submit annual transcripts to you at the beginning of each academic year to verify eligibility. If recipients are unable to meet the minimum grade point average requirement, future disbursements will be held until eligibility is confirmed. Funds are mailed directly to the recipient's school in order to ensure they are used for intended purposes.

Your selection committee members must be one of your directors, an officer of E, or an educator. If a member needs to be replaced, the new committee member will be decided by a vote of current members.

To ensure funds are used for their intended purposes you will:

- receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded
- investigate diversion of funds from their intended purposes
- take all reasonable and appropriate steps to recover any diverted funds
- ensure other grant funds held by a grantee are used for their intended purposes
- 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.

To have also represented you will:

- maintain all records relating to individual grants including information obtained to evaluate grantees
- identify a grantee is a disqualified person
- establish the amount and purpose of each grant
- establish that you undertook the supervision and investigation of grants described above.

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

- 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,

Kenneth Corbin
Acting Director, Exempt Organizations