

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201425018**

Release Date: 6/20/2014

Date: March 25, 2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B= school district
C= bank
D= organization
X= scholarship name
Y= high school
Z= city/state
f = number
g= number
h= number

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 will not 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, to enhance access to higher education. Specifically, you will provide scholarships to graduating seniors of Y located in Z seeking to pursue a college education. Your scholarships will be awarded to needy and deserving

seniors who might otherwise lack the necessary funds to further their education. Recipients may attend any accredited two-year or four-year 501 (c) (3) college or university. All recipients must be enrolled full-time each semester and working toward an undergraduate degree. This scholarship is for one year only and is non-renewable.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You will annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942 for scholarship awards and estimate that between f and g scholarships will be awarded annually. The estimated size of the senior class at Y is h students. You will publicize the scholarships through the guidance counselors at Y and will maintain such information and documentation relating to your program as required by the Code.

Applicants must have a minimum cumulative grade-point-average (GPA) of 2.5 on a 4.0 scale, demonstrate financial need and traits of high personal character and leadership. The members of the scholarship advisory committee review the scholarship applications and rank the applicants based on GPA and demonstrated traits of high personal character and leadership. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in Code Section 4946.

The following individuals are not eligible for scholarships:

- Any interested person: (which term includes, for the purposes of this document, any donor, trustee, selection committee member, advisory board member, and your staff members, and those otherwise deemed to be "disqualified persons" under the Code);
- the spouses and ancestors of interested persons;
- the children, grandchildren, and great-grandchildren of interested persons;
- the spouse of any child, grandchild, or great-grandchild of an interested person;
- current employees of C or D and their spouses, ancestors, children, grandchildren, great grandchildren and the spouses of such children, grandchildren and great-grandchildren.

Your advisory committee will be comprised of members of B. The committee will consider the respective ability, educational goals, financial need and career ambitions of each applicant. The scholarship advisory committee reviews the applicants and makes a recommendation of equal amounts for each recipient to you. Each year you will advise the scholarship advisory committee of the amount of funds available to be awarded as scholarships.

In addition to the application, your scholarship advisory committee will review the following information submitted by the applicant:

- Official Transcript;
- Letter of recommendation from teacher/professor;
- One-page signed personal statement explaining why the scholarship is important to the applicant. Include college and career plans, if known;
- List of your academic honors, leadership skills, and community service;
- Signed copy of parent's federal income tax return and W-2's for the most recent year.

B pays the scholarship proceeds directly to the university/college the recipient attends for the benefit of the recipient. B provides a letter to each university/college specifying that acceptance of the funds constitutes their agreement to refund any unused portion of the scholarship and notify your trustees if a scholarship recipient fails to meet any term or condition of the scholarship. If the university/school will not agree to such terms the trustee will obtain the needed reports and grade transcripts from the recipient.

In the event of serious malfeasance, breach of traditional conduct, failure to provide requested materials, or conduct involving moral turpitude, a scholarship may be terminated at any time within the discretion of your awards advisory committee and concurrence of your trustee, whose decisions shall be final and binding.

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,

Director, Exempt Organizations