

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

Department of the Treasury

Number: **201432024**
Release Date: 8/8/2014

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: May 14, 2014

LEGEND:

B= city/state
C = school 1
D= school 2
E = school 3
x = dollar amount
y = 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 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 provide vocational scholarships to students or graduates of schools located in B. You will publicize your program through school counselor offices. The number of awards made by you each year generally ranges between 15 and 30, with amounts ranging from x dollars to y dollars. At least 100 students are eligible to apply for a scholarship each year.

The applicant must be a graduating student or graduate of C or D. Also, students who have completed at least eighth grade may be eligible for this scholarship. The students must be enrolling in a vocational program and must not have sufficient funds to obtain such further education. A letter of recommendation is required from a vocational (professional/technical) instructor or current employer.

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. All applicants will complete an application where they will describe their educational goals, indicate the name of the educational institution they plan to attend, the annual cost of tuition/books and a listing of financial resources available to the student.

The scholarship selection committee is composed of the county administrative head of the C School system, the vocational education teacher of D, the principal of D and the principal of E. Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You will pay the scholarship proceeds directly to the university/college the recipient attends. Your trustee provides a letter to each university/college specifying that the university/college's acceptance of the funds constitutes the university/college's agreement to notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship and refund any unused portion of the scholarship.

If the university/school will not agree to such terms, they are to return the check. Individual expenditure responsibility would be done by sending a grant letter to the student and having them sign before any check is mailed. If the student does not sign the agreement, they would not receive the scholarship.

You will maintain case histories showing recipient names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You represent that you will:

- arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded,
- investigate diversions of funds from their intended purposes, and
- 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 including information obtained to evaluate grantees, whether a grantee is a disqualified person, how you established the amount and purpose of each grant, and that you undertook the supervision and investigation of grants.

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