

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

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Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= City

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 are a testamentary trusted managed by a financial institution. You fund a scholarship program to enhance access to higher education. Specifically, you provide scholarships to meritorious students of the B school system to attend the college, university or technical school of his/her choice.

The entire senior class is eligible to apply. Along with being a member of the senior class, the applicant must intend to pursue a course of higher education in a college, university or technical school, and submit a complete application.

The program is publicized at the B school system through a scholarship list distributed to seniors. It is also announced over the school's public address system and information is posted in the front office.

The superintendent of the B School District, the principal of B High School, a guidance counselor for the B High School, and three other individuals, as the other committee members may choose, serve as your selection committee.

Your committee considers each applicant's GPA, course rigor and honorable character. For example, a student with a relatively high GPA but with a less rigorous course load than other students would not be evaluated as high as students with lower GPAs but more rigorous courses. When students have equally rigorous courses, GPA may be a deciding factor. The scholarship is not based on need.

The scholarship applications are ranked and submitted to your trustee. The trustee makes the final selection.

The award is paid directly to the university, college, or technical school where the recipient attends or will attend. The university, college or technical school must agree to refund any unused portion of the scholarship if a recipient fails to meet any term or condition of the scholarship.

You will also notify your trustee if the recipient fails to meet any term or condition of the scholarship. If the university, college or technical school will not agree to such terms, your trustee will obtain the needed reports and grade transcripts from the scholarship recipient.

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 diversion of funds from their intended purposes,
3. Take all reasonable and appropriate steps to recover the diverted funds, ensuring other grant funds held by a grantee are used for their intended purposes, and
4. 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.

You will maintain all records to:

1. Document individual grants including information obtained to evaluate grantees,
2. Identify whether a grantee is a disqualified person,
3. Establish the amount and purpose of each grant, and

4. Establish that you undertook the supervision and investigation of grants described above.

Scholarships are renewable and reviewed annually by your scholarship advisory committee (committee). Students must provide proof of continued enrollment to the guidance office of the B school system. Your trustee will decide whether a scholarship is renewed for the student's second, third or fourth years. The trustee will make the final selection as to a student's renewal.

The award amount and number of students selected will vary depending on the net income and/or the amount that must be distributed to satisfy Code Section 4942. On an annual basis, your trustee provides your committee with the distributable amount. The committee then decides the number and amounts of scholarships to be given for that academic year.

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