

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

**Department of the Treasury**

Release Number: **201443028**  
Release Date: 10/24/2014  
Date: July 28, 2014

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

x= dollar amount  
y= dollar amount  
Z= high school  
B= city/state  
C = county  
D = school district

**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 the limitations provide in Code section 117(b)).

**Description of your request**

Your purpose is to award scholarships in the amount of x dollars per year for each year of a four-year college education. Said award shall be given each year until four students are participating in said award. In the event that your income is less or more than y dollars per year, the award will be raised or lowered. You will provide scholarships to graduating seniors from Z located in B.

You will advise your scholarship committee of the amount available for scholarships. The members of the committee review applications completed by potential recipients and rank

candidates for awards based on their character, moral aspects, proficiency in their studies in high school and their intention to seek college education. The scholarship committee then submits their selections to your trustee. All scholarships are awarded on an objective and non-discriminatory basis. No scholarship may be awarded to any disqualified person as defined in IRC Section 4946.

The selection committee is comprised of the C Superintendent of Schools, the Superintendent of the D, and the principal of Z. If there is no longer a superintendent of schools, or a county superintendent, or a principal, and the persons managing the school system shall have different designations, that such person or persons, shall be substituted for, and become, the committee. The scholarship program is publicized through the Z guidance counselor's office.

You will pay the scholarship proceeds directly to the college or university the recipient attends for the benefit of the recipient, and provide a letter to each college or university specifying that the college or university's acceptance of the funds constitutes the college or university's agreement to refund any unused portion of the scholarship if a recipient fails to meet any term or condition of the scholarship; and notify your trustee if the scholarship recipient fails to meet any term or condition of the scholarship. Students must provide transcripts and proof of enrollment to continue to receive the award.

You will maintain case histories showing recipients of your scholarships, or other educational grants, including names, addresses, purposes of the award, amount of each grant, manner of selection, and relationship (if any) to your officers, trustees, or donors of funds.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded; to investigate diversions of funds from their intended purposes; and take all reasonable and appropriate steps to recover diverted funds, ensure other grants funds held by the grantee are used for their intended purposes, and withhold further payments to grantee until you obtain grantees assurances that future diversions will not occur and the grantees will take extraordinary precautions to prevent future diversions from occurring.

You will maintain records including information obtained to evaluate recipients, identify whether a recipient is a disqualified person, establish the amount and purpose of each award, and establish that you under took the supervision and investigation of awards .

#### **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