

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

**Department of the Treasury**

Release Number: **201445020**  
Release Date: 11/7/2014  
Date: **8/13/2014**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945-04.04

W=  
X=  
Y=  
Z=  
b=

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 letter indicates you will operate a scholarship program called W.

You engage in charitable activities by enhancing access to higher education. Specifically, you provide scholarships each year to graduating seniors at any public X high school.

Each award is generally \$b and subject to change. The number of scholarships that you award each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. Scholarships are renewable up to three years or until a bachelor's degree is earned, whichever occurs first, on the basis of satisfactory academic performance.

You utilize the services of Y (vendor), who advertises the scholarship to schools in the X Public High Schools by posting it on their website. The vendor maintains the case histories of the scholarship recipients.

You provide scholarships to students who have attended X Public High Schools. The following factors are used to evaluate the scholarship recipients;

- work experience,
- activities,
- awards and honors,
- goals and aspirations and
- an applicant appraisal from an instructor, counselor/advisor or work supervisor.

To qualify, students must;

- be graduating seniors at any public X high school,
- be in the top 25% of their graduating class
- be U.S. citizens
- plan to enroll in full-time undergraduate study at any branch of the Z for the entire upcoming academic year,

Your scholarship vendor selects and recommends the students based on the specific criteria. You submit final approval of the recipients.

You award all scholarships on an objective and non-discriminatory basis. You do not award scholarships to disqualified person as defined in Code Section 4946.

Your scholarship vendor pays the scholarship proceeds directly to the university/college the recipient attends for the benefit of the recipient. Your vendor sends a letter to each university/college specifying that the university/college's acceptance of the funds constitutes the university/college's agreement to notify you if the scholarship recipient fails to meet any term or condition of the scholarship.

You represent that 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 diversions of funds from their intended purposes, and
3. 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 investigate diversions of funds from their intended purposes and take all reasonable and appropriate steps to recover diverted funds.

**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