

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201445024**

Release Date: 11/7/2014

Date: **8/13/2014**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945-04.04

X=

Y=

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

You will operate a scholarship program.

Your purpose is to engage in charitable activities by enhancing access to higher education. Specifically, you provide scholarships to worthy children in the City of X and children attending Y.

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 publicize the scholarship program through high schools located in the City of X. Some of the high schools advertise the scholarship in the student newspaper or through the high school guidance counselors.

You maintain information and documentation of the loan recipients, such as; case histories including names, addresses, purposes of awards, amount of each loan, manner of selection, and relationship (if any) to officers, trustees, or donors of funds. You maintain such information and documentation until the applicable statute of limitations period expires.

Students from the City of X and students attending Y are eligible to apply.

Each year you advise the scholarship committee of the amount available for scholarships. The members of the scholarship committee review the scholarship applications and rank the students based on scholastic ability and financial need. Scholarship committee may give competitive examination if it so desires, but said examination shall not be the sole test in the selection of said recipient. The scholarship committee selections are recorded by trustee. 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 scholarship committee determines the amounts based on the amount of funds available, taking into consideration the scholastic ability and financial need of each student.

The trustee pays the scholarship proceeds directly to the college or university the recipient attends for the benefit of the recipient. The trustee provides 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 (i) refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship; and (ii) notify the trustee if the scholarship recipient fails to meet any term or condition of the scholarship. If the college or university will not agree to such terms the trustee will obtain the needed reports and grade transcripts from the scholarship recipient.

The trust document names the principals of the Y System and Parochial Schools of the City of X, together with the trustee.

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