

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

Department of the Treasury

Number: **201506012**
Release Date: 2/6/2015

Employer Identification Number:

Date: 11/12/14

Contact person - ID number:
ID #

Contact telephone number:

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LEGEND

UIL:
4945.04-04

x = Dollar amount of scholarship
y = Percentage amount
Z = Country of operation

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.

You annually award up to five educational loan scholarships of x dollars at y% interest to students pursuing graduate degrees in the Z. There is no security required for the scholarship. The recipients repay the scholarships when able, after the completion of their studies, in a payment schedule arranged with you. The recipients must start payments within two years after the completion of their studies.

The conditions for granting scholarships are as follows:

- Applicants must have proved their academic excellence through their scholastic record
- Applicants must have completed their bachelor's degree and pursuing a graduate degree
- Applicants must have secured admission at an accredited university in the Z
- Applicants must have secured any necessary Visa or other immigration papers
- Applicants must have arranged for the necessary funds but have a need for supplemental funds

The selection committee will be composed of your board members. You have represented that the availability of the scholarships is publicly announced on your website. Scholarship recipients are selected according to the following criteria:

- Application
- Academic records
- Recommendations and references
- Admission letter from the university with the start date, academic unit requirement, and a list of imposed conditions, if any
- Proof of secured Visa or immigration papers if needed
- Plan for total funds needed and personal or other funds arranged to date
- Accepted and signed y% loan agreement
- Interview with one member of the selection committee
- Review by the selection committee and final selection

You will pay the scholarships directly to the recipients. You represent that you (1) review certified transcripts provided by the recipients, (2) review bio-data and do checks as needed, and (3) review admission letters and Visa grant letters provided by the recipients.

You further represent that you maintain all records relating to the scholarships, including forms and loan agreements.

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