

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

Department of the Treasury

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Release Date: 2/27/2015
Date: **12/2/2014**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945-04.04

X= County and State
r dollars= Dollar amount
s dollars = Dollar amount

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 provide scholarships to students to pay for tuition and books at catholic schools at the primary and secondary levels located in the X area.

You provide scholarship amounts in increments of r dollars and s dollars. All decisions of the committee concerning scholarship amounts shall be a majority vote of the selection committee. The number of scholarships you each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You are required to annually distribute the greater of the net income of the trust or the amount

that must be distributed to satisfy Code Section 4942 of the Internal Revenue Code. Each year you advise the scholarship advisory committee of the amount of funds available to be awarded as scholarships.

You advertise the scholarships with the school principal. The principal communicates the availability of the scholarships to parents both through written communication and verbally.

The members of your scholarship advisory committee review the scholarship applications and rank the applicants based on grade-point-average (GPA) and financial need. In order to be eligible for your scholarship, students must be in need of financial assistance and have at least a 3.0 GPA. The scholarship advisory committee then submits its selections to the trustees. The trustees are the pastor of the church and the school principal. The trustees then make the final selection. 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.

Your scholarship is renewable and may be awarded more than once to deserving students, who continue to meet the qualifications.

You pay scholarship proceeds directly to the school the student will be attending. You provide a letter to the school specifying that the school's acceptance of the funds constitutes their agreement to refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship. The school will also notify you if the scholarship recipient fails to meet any term or condition of the scholarship. If the school does not agree to such terms you will obtain the needed reports and grade transcripts from the scholarship recipient.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds.

You will maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

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