

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Release Date: 2/27/2015

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Country

C= Company

X= Scholarship program

Y= Location

q dollars = Amount of scholarship

z= Number of scholarships

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

Your letter indicates you will operate a scholarship program called X.

The purpose of X is to provide financial assistance to graduating high school students in order for them to continue their education at a college, university or trade/vocational school in the B.

You will award scholarships to high school students living in Y. You will determine the amount of scholarships awarded by dollar amounts available during the year and by the need and merit of each applicant. You currently will award scholarships in the amount of \$q dollars. You will award z scholarships annually. You will assess the applicant's need for financial assistance based on the educational institution's estimated cost for a single year (tuition, fees, room & board, books, supplies, etc.) and the applicant's total annual family income. The quality of the applicant will be based on school performance, extracurricular activities, community involvement, volunteer activities, employment/work, letters of recommendation, and responses to the application questions.

Your eligibility criteria for X includes the following:

- Applicants must be a son or daughter of a full-time (40hours/week) employee in an on or off-premise establishment in the alcohol beverage industry. Establishments may include but are not limited to liquor stores, wine shops, bars, and restaurants.
- Applicants must be a senior in high school located in Y who are eligible to graduate or are expected to graduate at the end of the school year.
- Applicants must have a minimum Grade Point Average (GPA) of 2.5.

Children of C and affiliated companies' employees are ineligible to participate in X.

You will select recipients for X based on the following:

- Extracurricular activities, community involvement, volunteer activities, employment/work status of student
- Family income/financial need
- Academic performance. Minimum GPA for eligibility is 2.5 on a 4.0 scale
- Responses to questions on the applications
- Letter of recommendation from applicant's teacher, school guidance counselor, or school administrator

Your scholarship selection committee will consist of executive level associates of C and affiliates who possess a working knowledge and understanding of financial needs and the college application process.

You will confirm each scholarship recipient's enrollment from the college, university or trade/vocational school that he/she has chosen to attend before scholarship funds are released. You will send scholarship funds directly to the college, university or trade/vocational school on behalf of the student once enrollment confirmation has been obtained. Your annual awards are made in two payments, and your confirmation process occurs each semester before you release the funds to the school. You will not release any funds directly to the scholarship recipient. If you receive information that funds have been misused, you will investigate the misuse and you will withhold any further funds until the misuse of funds has been resolved.

You will keep and maintain the following records and reports:

- Application forms
- Criteria used to evaluate the application forms
- Scholarship selection committee meeting minutes
- Identifying information of all grant recipients
- Documentation to support the amount and purpose of each grant
- Documentation of any relationship between you, your officers, members and employees
- Follow-up data including enrollment confirmation from the college, university, and/or trade/vocational school

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