

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury**Release Number: 201509052****Release Date: 2/27/2015****Date: 12/1/2014****Employer Identification Number:****Contact person - ID number:****Contact telephone number:****LEGEND****UIL: 4945.04-04****X= State****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 scholarship grants to senior law students within the state of X who meet the criteria set forth in your trust agreement to attend the law school of one of the universities located in the state of X. The applicants are ranked according to a combination of academic promise (as determined by college grade point average) and financial need (as determined by analysis of the information presented on the federally approved need analysis form). The applicant(s) with the highest ranking will be awarded the scholarship(s).

The number of scholarships that you award each year and the amount of each scholarship will vary depending on the amounts of funds available to be distributed.

You use a state agency that helps students pay for postsecondary education and training as your vendor. Your vendor advertises the scholarship on their website.

Students who have satisfactorily completed their junior year of law school are eligible to apply. Each year you advise the vendor of the amount of funds available to be awarded for scholarships. The vendor reviews the applications and ranks the applicants according to a combination of academic promise and financial need. The applicants with the highest ranking are awarded the scholarship. Receipt or potential receipt of other scholarships or student financial aid may be considered in the selection process. The vendor reviews the applicants and makes a recommendation to you regarding the amount that should be awarded to each applicant. You make the final determination as to the amount awarded. All scholarships are awarded on an objective and non-discriminatory basis. No scholarships may be awarded to any disqualified person as defined in Code Section 4946.

The scholarships are a one-time award, renewable each semester if the student remains in school, attends all classes, maintains a passing grade in all subjects of each semester, all of which must be verified by the school so attended.

Each academic term or semester the vendor pays the scholarship proceeds directly to the university/college the recipient attends. Upon verification of registration as full-time student, scholarship monies are applied for the benefit of the student. If a student fails to complete a term or semester, monies are returned to the Scholarship Fund.

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.

You will 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 the grantees will take extraordinary precautions to prevent future diversions.

You represent that 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. The effective date of our approval is July 15, 2013, which is the date your request was submitted.

- 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
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- 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