

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201514017**  
Release Date: 4/3/2015

**Employer Identification Number:**

**Contact person - ID number:**

**Date: 1/7/2015**

**Contact telephone number:**

**LEGEND**

**UIL: 4945.04-04**

B = Program  
V = Name of College  
W = Name of University  
x dollars = 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 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 provided in Code section 117(b)).

**Description of your request**

Your letter indicates you will operate a scholarship program called B to provide scholarships to qualifying graduating high school seniors. You will award scholarships of up to x dollars per year for the first two years of college to attend V or W. The scholarship funds are for qualified tuition and course-related expenses within the meaning of section 117(b)(2) of the Code. Grants will be awarded on an objective and nondiscriminatory basis.

To be eligible for the first year scholarship , the graduating high school senior must:

- Be a graduating senior of one of the three local public high schools.
- Have a GPA of 2.5 or higher through the end of junior year.

- Be attending V or W, which are public institutions of higher learning.
- Must establish financial need by being a qualified recipient of the free or reduced lunch, generally defined as having a family income not exceeding 185% of the poverty level.

Any person who is considered a "disqualified person" with respect to you within the meaning of Internal Revenue Code Section 4946(a) is not eligible to receive grants.

The scholarship will be publicized by the high school counselors. There is no application process. Recipients will automatically qualify for a scholarship as long as they meet the eligibility requirements. Qualification under the eligibility requirements will be determined by the guidance departments at each of the three participating high schools. You will approve the final selections and notify the recipients in writing.

To qualify for the second installment before their second year of college, students must:

- Have completed seven or more full-time classes in their first year of college.
- Have attained a GPA of 2.5 or higher in their first year.
- Provide a copy of their first year transcript and their college bursar bill.

Scholarship payments will be made directly to V or W. You will investigate all reports of unsatisfactory academic performance. If a scholarship recipient is unable or unwilling to correct deficiencies or to otherwise meet the eligibility requirements the student will be dismissed from the program.

If you determine that all or any part of a scholarship grant is not being used to further the purposes of the grant, you will take one or more of the following actions as required and appropriate: (1) withhold payments to the extent possible during the period of investigation, (2) take steps to recover the grant funds and/or ensure restoration of diverted funds to the purposes of the grant, (3) withhold further payments until the diverted funds are in fact recovered or restored, (4) obtain assurances from the grantee and/or the college that future diversions will not occur, and (5) require the grantee and/or the college to take extraordinary precautions to prevent future diversions.

You will retain complete records that will include all information you obtained to evaluate the qualifications of the potential grantees, the identification of grantees (including any relationship of any grantee to you, or to an officer or director of yours), the purpose and amount of each grant, the terms of payment of each grant, and any additional information obtained as part of the grant administration process.

### **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 may report any significant changes to your program by completing Form 8940 and sending it 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,

Tamera L. Ripperda  
Director, Exempt Organizations