

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201521019**

Release Date: 5/22/2015

Date: **February 26, 2015**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

b = number

c = number

d = number

x = dollar amount

y = dollar amount

z = number

P = scholarship program of a public charity

Q = scholarship program

R = public educational institution

S = public educational institution

T = job title

UIL: 4945.04-04

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 called Q.

The purpose of Q is to help R students complete their education by providing financial assistance to such students so they are able to obtain their degree at R and pursue a bachelor's degree at S, or other four-year colleges.

Qualifying students will receive scholarships of up to x dollars per academic year for their second year at R and up to y dollars per academic year for students pursuing their bachelor's degrees at S, or other four-year colleges.

You will publicize the program at R and through the P.

Scholarships will be granted based upon the following procedures:

1. An application must be completed.
2. Scholarships to (a) second year community college students, and (b) community college graduates pursuing bachelor's degrees at a four-year college or university are awarded according to the following criteria:

Eligibility for Year Two at R:

- P recipient during the first year at R
- Complete a minimum of b semester hours in the first year at R, including all developmental courses
- Demonstrate a financial need, as determined by FAFSA Expected Family Contribution
- Maintain a minimum d grade point average, cumulative (or recommendation from the T)
- Declare a major and take nine credit hours in that major
- Must work with a T to help reach educational goals
- Maintain good standing at R

Eligibility for Four-Year University:

- Complete associate degree at R within z months
- Demonstrate proof of acceptance to a four-year university, designated as an "enhancement college"
- Maintain a minimum of d grade point average, cumulative (or recommendation from the T)
- Demonstrate a financial need (based upon FAFSA Expected Family Contribution)

- Enroll at an enhancement college within c months after completion of associate degree
- Must work with a T to help reach educational goals
- Maintain good standing at the university

Other Supporting Details:

- Recipients have z months to complete associate degree (may attend part-time if needed for a period of time, as long as associate degree is completed within the z month time frame)
- Recipients have z months from the date of enrollment in an enhancement college (four year college) to complete bachelor's degree
- If recipients drop out, they are still eligible for the scholarship pending completion of associate/bachelor's degree within z months
- Special consideration given for fifth year scholarship, based on academic program/major requirements
- Online application process (no face to face interviews, based on the scope of services provided by the Student Support Coordinator)
- Will send award letters pending completion of b hours at R (for year two at R) and proof of enrollment at enhancement college (four year college)

3. In the future, a written essay or recommendation from the T may also be required.

You will review applications and records to determine eligibility. Scholarships will be granted to all students (other than your employees and their family members) who meet the eligibility requirements.

You will obtain proof of compliance by the grantee while such grantees remain enrolled and may obtain additional tracking information from grantees after they graduate. You will communicate with the educational institutions and review student records.

No restrictions apply based upon race, sex, national origin, age, or employment status.

Payments of scholarships will be made directly to the educational institutions.

You represent that 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, 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 grantees will take extraordinary precautions to prevent future diversions from occurring.

You also 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 described above.

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