

**Internal Revenue Service**

P.O. Box 2508

Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201525017**

Release Date: 6/19/2015

Date: **March 26, 2015**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL 4945.04-04

B= Scholarship Name

C= Scholarship Name

D = State

F = Number

G = Date

H = Number

J = Organization

K = Name of Act

L = Number

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 purpose is to advance education and you have been operating two scholarship grant programs, the B and the C.

The purpose of the B and the C is to provide financial support to students who reside in D to attend an institute of higher education. L nonrenewable scholarships are awarded under each program each year. The two scholarship grant programs employ substantially the same procedures in awarding grants to applicants but are open to two different applicant pools.

The eligibility requirements for the B are:

- Applicants must be students enrolled in a D high school and plan to attend an accredited four-year college or university beginning the fall after graduation
- Applicants must be at least F years old by G of the fall of their enrollment into college
- Applicants must have a weighed high school grade point average of at least H

For the C, the only difference in eligibility is that applicants must be students enrolled in a community college who plan to attend an accredited four-year college or university beginning the following fall.

Employees and household relatives of employees of J, the founding entity and a significant financial sponsor, are not eligible to apply for the B or the C.

You advertise both scholarship grant programs on J's website. Applicants can also find the scholarship applications and associated instructions on the website. Applicants cannot submit their forms online. Forms must be mailed directly to the Scholarship Committee at your physical address. The following items should be submitted along with the application:

- A high school transcript
- Two letters of recommendation from a teacher, counselor, or other adult who is familiar with an applicant's academic achievements and/or extracurricular activities
- A written essay on a recent topic of public interest chosen by you

Your selection committee is comprised of local leaders appointed by J. An applicant's grades, community involvement, participation in extracurricular activities, and recommendations are all factors considered by your Selection Committee. However, the greatest emphasis is placed on the submitted essays. In judging each individual essay, the Selection Committee examines the originality, persuasiveness, and clarity of writing (i.e. grammar, spelling, and essay flow) exhibited in the essay. Each consideration is given a certain weight in arriving at the final score for the essay. In your procedures, you reserve the right to make non-material amendments to the existing selection criteria. Any such changes shall only be made on a prospective basis for subsequent years and shall

be based on your ongoing assessment and evaluation of its effectiveness in achieving your stated purpose.

The B and the C are awarded without discrimination or bias. Your Selection Committee will not take into account race, color, religion, sex, age, national origin, disability (as defined by the K), or any other protected characteristic as established by law.

You will pay awards for the B and the C directly to the institution at which the recipient enrolls. No portion of the scholarship is paid directly to the award recipient. You are not required to maintain a supervisory program because (i) the grants are of the type described in 26 U.S.C. 4945(g)(1), (ii) the grants will be paid directly to an educational institution, and (iii) the institutions receiving the grant payment will use the funds to defray the recipient's cost only if the recipient is enrolled in the institution and the recipient's standing at the institution is consistent with the purposes and conditions of the grant.

#### **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 June 24, 2014, 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  
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