

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Number: **201534019**  
Release Date: 8/21/2015

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: May 29, 2015**

**LEGEND:**

T= school district  
U= high school  
V= county  
W=individual  
X= company 1  
Y= company 2  
Z= newspaper

**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**

You will operate a program to award scholarships to graduating high school students meeting established criteria to be used for qualified expenses at educational institutions described in Section 170(b)(1)(A)(ii).

Scholarships will be awarded to selected eligible applicants who are seniors at U or to select eligible applicants who are seniors at any high school located in V, and who are children of employees of X or Y. "Disqualified persons" are ineligible from receiving scholarship awards.

Your Board of Directors will appoint an independent selection committee, which will be responsible for the administration of the scholarship program. The selection committee shall consist of individuals who occupy the following type of positions within the T: School District Superintendent, a high school Principal, a Guidance Counselor or community leader. It is anticipated that the committee will consist of three members. Members of the selection committee shall be totally independent (except for participation on the Committee) and separate from you, W and his family members, and X and Y. If any of your employees or the above employers or their spouses hold a position in a School District, such individuals shall not be appointed to the scholarship selection committee.

Notices regarding the availability of scholarship applications will appear in the Z. In addition, notices will be sent to the Guidance Office of U and to the employees of X and Y living in V.

The selection committee will receive and review applications and award the scholarship to a high school senior considering the following qualifications and selection criteria:

1. Applicants shall be seniors in high school at T (or if the applicant is a child of an employee of X or Y, the eligible applicants shall include seniors at any high school located in W).
2. Applicants must be accepted for post-secondary education — business, technical, trade, or nursing school, junior or community college or 4-year institution or university (all of which must be an educational organization as described in Section 170(b)(1)(A)(ii) of the IRC).
3. Applicants must have at the time of the application a cumulative 2.6 GPA through high school.
4. Recipients must maintain a 2.0 GPA in their post-secondary school in order for the scholarship to be renewed for later semesters and years.
5. Applicants' participation in high school and/or community service activities shall be given consideration.
6. Consideration may be given to children of current employees of X and Y who also meet the other qualifications described here. Recipients are not limited to children of employees and continued employment of a recipients' parent will not affect scholarships granted.
7. The income and assets of the applicants' parents and of the applicant shall be taken into consideration.
8. The number of siblings and the current or future anticipated financial requirements for the education of the siblings may be taken into consideration.
9. The unmet financial need of the applicants for the educational institution selected by the applicants shall be considered and is an important criteria (this means the difference between tuition and room and board costs and any scholarships or

grants awarded or likely to be awarded to the applicant by the institution or other sources). The ability of the parents to contribute to the applicants' education costs and other scholarships or grants awarded or anticipated to be awarded shall be taken into consideration.

The application process is as follows:

1. Applicants must complete the scholarship application.
2. Completed applications must include a two-paragraph essay detailing the applicants' career goals and why they are a worthy candidate for this scholarship.
3. Applicants must submit evaluations from two teachers. It is the applicant's responsibility to collect and return evaluations in sealed envelopes to the Guidance Office with the completed application on or before the deadline established.
4. A copy of a current federal Income tax return of both parents must be submitted with the application. If not available at time of submission, a copy of the prior year return can be substituted until the current year return is available. When available, the current year return shall be submitted.
5. A personal interview may be required at the discretion of the scholarship selection committee in the event of a tie or other reasons determined by the committee to evaluate motivation, character or financial need.
6. Completed applications are due to the Guidance Office by the due date.
7. The recipients shall be selected by the scholarship selection committee by majority vote of the members of the committee after review of the applications and application of the above guidelines.
8. The recipients shall be required to submit ongoing documentation of eligibility such as transcript, proof of use of funds and maintenance of full time student status.

You anticipate making one award of at least \$10,000 annually for a four-year period, with the possibility of awarding one more scholarship of a similar amount in the future.

Eligible applicants will include students whose parents are employees and students whose parents are not employees. In the event an award is given to a child of an employee, scholarships will be awarded based upon facts and circumstances that demonstrate that the scholarships will not be considered compensation for past, present or future services or otherwise provide a specific benefit to the employer.

The scholarship will be paid directly to the student or to the educational organization and divided equally between the number of semesters in each academic year at the student's educational organization. The recipient will be required to submit a transcript of his or her academic record, verified by the educational institution each year. If the student fails to continue as a full-time student, make satisfactory progress towards a degree or fails to maintain the 2.0 GPA, the student will be required to return the unused portion of the scholarship applicable to that semester, and forfeit the remainder of the scholarship award for subsequent semesters and years. If the student continues to meet the eligibility criteria and provide the required documentation on a timely basis, the scholarship will

continue for subsequent semesters and years without the need for submission of new applications. If permitted by the educational organization, you may pay the scholarship directly to the educational institution.

Each recipient will be required to submit a transcript of his or her academic record for each semester and confirm his continued enrollment as a fulltime student (except when on externships or other school sponsored semesters that might be less than full-time credit). The purpose of these requirements is to confirm that the recipient is progressing towards the selected degree and is maintaining the required grade point average. If the transcript reveals that the recipient has failed to make satisfactory progress towards the selected degree and cumulative grade point average in a given academic year, the recipient will forfeit the scholarship for subsequent semesters and years.

You will maintain records of the recipients of the scholarships, including the names, addresses, year of award, amount of each scholarship.

#### **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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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