

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

**Department of the Treasury**

Release Number: **201535021**  
Release Date: 8/28/2015  
Date: **June 1, 2015**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

B= company  
C= individual  
D = date  
z dollars = dollar amount

**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 scholarship program to benefit the former employees of B who worked at B up until the time (D) of C's retirement; the founder of you and B. C's motivation for creating this scholarship is to assist B's former employees (and their families). It is anticipated that the total amount of scholarships awarded in any calendar year under the proposed program will not exceed z dollars.

The class of eligible scholarship recipients will comprise the following:

1. All individuals who were employed by B on or before D, and who were in B's service for at least three years before that date;
2. Spouses of such employees; and
3. Children, grandchildren, and great grandchildren of such employees.

The total number of eligible employees is approximately 1000. The size of the entire beneficial class is even larger, however, because the class includes the spouses and descendants of such eligible employees.

In order to apply for scholarships, prospective applicants must also satisfy the following criteria:

- Be currently enrolled at, or accepted to attend, an accredited college, university, trade or commercial school, or similar educational institution described in § 170(b)(1)(A)(ii);
- Demonstrate financial need, as evidenced by the applicant's tax returns, statements of assets and gross income, information contained in the Free Application for Federal Student Aid (FAFSA), and other financial documentation;
- Maintain a minimum grade point average of 2.0, if currently attending high school or another educational institution; and
- Be a US citizen or permanent legal resident.

Each applicant will be required to submit an application including the following materials:

- High school and college transcripts (if available);
- A completed FAFSA form;
- A resume;
- Proof of current employment, if applicable; and
- A personal letter written by the applicant describing his or her educational/training goals and motivation for additional learning.

You will in no event make scholarship grants to (1) "disqualified persons" with respect to you (within the meaning of § 4946) or (2) the members of the independent selection committee (and their family members).

Recipients will be selected objectively related to your educational purposes and taking into account:

- Financial need
- Academic achievement
- Leadership and extracurricular activities
- Academic and professional recommendations
- Commitment to educational advancement

Recipients will be chosen by an independent selection committee of local leaders and experts in their field. Currently there are three committee members.

Your program will be publicized through mailings to former employees and by word of mouth.

Each award will be for one year and may be renewed through the application process for up to four years of funding. It is anticipated funds will be used to defray educational related expenses. You will maintain records relating to awards including applications, recipients, any relationship of a recipient to you, reports from recipients, and applicants who were not selected. You will require recipients to annually report to you on fund use.

#### **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