

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Number: **201550047**
Release Date: 12/11/2015

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: September 14, 2015

LEGEND

b= Number

X= City

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 provided in Code section 117(b)).

Description of your request

You will operate a scholarship program to provide financial support to needy students in the X metropolitan area who demonstrate the potential to excel in postsecondary (undergraduate or graduate) educational opportunities.

You currently plan to award up to b grants annually at the discretion of your Board of Directors. The amount of each award will depend upon the grantee's financial need, as described by the grantee in his or her application materials. You will accept recommendations and applications on a rolling basis. The courses of study for scholarship grant recipients will not be limited.

Scholarship grants may be used for tuition at four-year postsecondary or graduate educational institutions that normally maintain a regular faculty and curriculum, as described in Section 170(b)(1)(A)(ii), and for fees, books, supplies, and equipment required for courses at such institutions. Scholarships may also be used for other expenses related to matriculation at a qualifying postsecondary or graduate institution, such as housing and other living expenses.

The pool of grantees eligible for scholarship grants consists of needy students who are residents in the X metropolitan area as of the date of application, and who are enrolled, or intend to enroll, in an institution of higher education described in Section 170(b)(1)(A)(ii) of the Code.

Potential grantees must submit applications including a written statement of financial need, a short biographical record, a narrative of the course of study or goals describing what the applicant expects the grant to help him/her achieve, and information to ensure that the potential grantee meets the eligibility requirements and is not a disqualified person. Potential grantees must also submit letters of support and at least two additional references.

Grantees will be selected by your Board of Directors from among those applications on the basis of selection criteria, including financial need, prior performance in academic coursework, and the evaluation by your Board of Directors of the applicant's motivation, ability, character, achievement, and potential as demonstrated in a written statement or personal interview provided by each potential grantee.

Your Board of Directors will select grant recipients from among eligible recipients without discriminating on the basis of race, gender, sexual orientation, ethnicity, nationality, or religion. Disqualified persons within the meaning of Internal Revenue Code Section 4946(a) (including your directors and officers and their family members) are not eligible to receive any awards.

You will provide each recipient with an award letter notifying him or her of the grant. The letter will specify that all amounts must be used in accordance with the grant requirements for tuition at four-year post-secondary educational institutions that normally maintain a regular faculty and curriculum as well as for fees, books, supplies, and equipment required for courses at such institutions or other expenses related to matriculation at such educational institutions, such as housing and other living expenses. The award letter will describe the reporting requirements and will specify the date by which the recipient must comply with the reporting requirements. You will require the scholarship recipient to sign and return a copy of the award letter indicating his/her acceptance of the scholarship and its terms before you will disburse any scholarship funds.

You will pay awards directly to the qualified educational institution. In the event that an educational institution returns the residual balance of a scholarship award to a grantee, the grantee must certify that the money will be used for tuition, fees, books, supplies,

and/or equipment required for his or her courses of instruction at a qualified educational institution. You will investigate if any grant recipient fails to provide the documentation required under the grant procedures within a reasonable amount of time, and withhold further grant funds until such documentation has been submitted consistent with the duty of a private foundation to investigate jeopardized grants under the Treasury Regulations. If you determine that any grants have been used for improper purposes, you shall take all reasonable and appropriate steps, up to and including legal action unless such action in all probability would not result in satisfaction of execution of a judgment, to recover improperly expended funds and to ensure that any funds held by the recipient will be used exclusively for the purposes of the grant award.

You will keep the following records with respect to each grantee:

1. All information that you secure to evaluate the qualification of potential grantees;
2. The identity of each grantee, including any information on relationships that would cause the recipient to be a disqualified person;
3. The amount and purposes of each grant;
4. A copy of the award letter notifying the recipient of the grant;
5. Any follow-up information obtained as described above; and
6. Any measures taken to investigate the misuse of grant funds or to enforce grant terms.

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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements