

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

Department of the Treasury

Release Number: **201617013**
Release Date: 4/22/2016
Date: **January 26, 2016**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

T = State

V= Scholarship Program

W= Area

X= County

z dollars = 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

Your letter indicates you will operate a scholarship program called V.

Your purpose is to provide a scholarship to a graduating senior in one of the W high schools who plans to study engineering, technology or any of the related sciences of mathematics, chemistry or physics. The scholarship will initially be in the amount of z dollars with discretionary rights by the Board of Directors to increase the amount from time to time.

Students must meet the following criteria to apply for a scholarship:

- Be a graduating senior
- Maintain a 3.0 or higher grade point average
- Be planning to pursue an interest in engineering, technology or the related sciences of mathematics, chemistry, or physics at the college level
- Be planning on attending a four-year college in the fall immediately following graduation from high school
- Be a full-time resident of X County, attending one of the W high schools

You will accept applications with the following information from interested students:

- Name, address, phone number, and high school
- An essay summarizing the reasons for pursuing the field of study
- A copy of the high school transcript and activity sheet
- At least one letter of recommendation from the school guidance department

Student applicants must also demonstrate proficiency in engineering, technology and/or related sciences and must demonstrate participation in extracurricular and community based activities. Students should be well-rounded individuals with outstanding leadership skills.

Each guidance department at the three W high schools will choose two finalists. Interviews of up to six finalists will then be conducted by the selection committee. The selection committee is made up of educators and public school administrators from X County in T and is chosen by, and under the supervision of, the X Chamber of Commerce. None of your members, directors, officers, trustees, or employees or any member of their immediate or extended families may serve on the selection committee or designate a person to serve on the selection committee.

V is presented in conjunction with the X Chamber of Commerce who agrees to publicize V and coordinate an appropriate forum for presentation of the award. Scholarship funds will be paid in two installments. The first installment will be paid when you receive the invoice from the college where the recipient is enrolled. Half of the scholarship will be applied to the invoice for tuition. The second installment will be paid upon receipt of the second semester's invoice to be applied to tuition. If the recipient is already receiving full tuition scholarships from other sources then payment will be made for college related expenses such as books, fees, or room and board. You will pay the college directly for such expenses or reimburse the recipient once you receive receipts. The recipient will not receive any portion of the scholarship award if he/she is not enrolled in college and the recipient must sign an agreement to repay any portion of the scholarship not applied to college tuition or related expenses.

You represent that you will complete the following: (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 the 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 diversion from occurring.

You also represent that you will maintain all records relating to individual grants including information obtained to evaluate grantees, identify 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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements