

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

Department of the Treasury

Release Number: **201619012**
Release Date: 5/6/2016
Date: February 8, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

B = Scholarship
C = Name
D = Organization
F = Organization
x dollars = Amount
y 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 the B that was established as a memorial to C in recognition of his valuable contributions to the field of electrical engineering.

The B is awarded annually and carries a stipend of up to x dollars. It is awarded for one year of full-time graduate work in electrical engineering at an engineering school of recognized standing located in the U.S. It is not renewable.

To be eligible for the B, the student must be a permanent resident of the U.S., have majored in the field of electrical engineering, and have received a bachelor's degree from an engineering college of recognized standing. The B is only awarded to a full-time first year graduate student. In the event the college is conducting a combined B.S. and M.S. degree program, the student in the penultimate year would be eligible for the award, which would apply in the final year of the program.

The B is advertised on the D website and flyers are distributed at conferences when applicable. In addition, email and social media announcements are made through D student activities, F, D Women in Engineering, and D educational activities.

To apply for the B, interested students must submit an application and certified transcripts from all colleges and universities they have attended along with three letters of recommendation from college/university professors who are familiar with their work. The letters of recommendation should reference the applicant's ability to perform graduate level work, originality and creativity, character, diligence and social responsibility, ability to lead, ability to communicate, and where the professor would rank the candidate among other students in the field from recent years.

The B committee is designated by D to solicit nominations from eligible universities, review the applications, and select a qualified recipient. Committee members are volunteers appointed by the administering awards body from D membership with terms up to three years. The committee reviews each applicant's academic performance, work history, and personal statements to select recipients. Each applicant's aptitude for engineering, personal statement about his/her future plans for a career in electrical engineering, and potential impact on advancing technology for the benefit of humanity as part of D's mission are also considered. Once the selection committee has selected the recipient, the final decision is forwarded to the D Educational Activities Board for final approval. This provides a secondary overview of the proposed recipients to ensure quality recipients.

Individuals serving on any board or committee involved at any stage of the recipient selection or approval process for an award shall be ineligible to receive, or act as a nominator or reference for that award. This conflict of interest limitation shall apply to all awards given by the D or any of its organizational units.

Scholarship funds are paid as a one-time payout to the university and are designated for the student's educational expenses. The recipient may also accept other tuition assistance or scholarships to support his/her graduate work. The recipient may attend an awards presentation to accept the honor which would provide additional professional development and networking opportunities if he or she is able. A travel stipend up to y dollars may be reimbursed to the student with applicable receipts. The travel stipend will reduce the amount of the scholarship accordingly. If the recipient does not attend the school or changes his or her program of study then the scholarship may be given to an

alternate if he/she is in good standing. If the recipient and the alternate are both unable to use the scholarship funds then no scholarship is given that year.

You represent that you will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded, investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover 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 diversions from occurring.

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

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 October 19, 2015, 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,

Jeffrey I. Cooper
Director, Exempt Organizations
Rulings and Agreements