

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Date: **March 9, 2016**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

O = University

P = City

T = Tribal government

U = Tribe

V = Tribal program

W = Fraternity/Sorority

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 are a private foundation with a financial institution as trustee who will operate a scholarship program. Educational loans will not be awarded.

Your purpose is to enhance access to higher education. You provide scholarships to students attending the O at P. In order to receive the scholarship, the students will have demonstrated high academic abilities, good moral character and financial need.

The number of scholarships that will be awarded each year and the amount of each scholarship will vary depending on the amount of funds available to be distributed. You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942. Each year your trustee will advise the scholarship department at the O at P the amount of funds available to be awarded.

You indicate that the group eligible for scholarships is sufficiently broad that the giving of grants will fulfill a charitable purpose as required by Treasury Regulation Section 53.4945-4(b)(2). You also indicate that no scholarship may be awarded to any disqualified person as defined in Internal Revenue Code Section 4946.

Your scholarship program is advertised via the financial aid office of O's online scholarship application program. While students are encouraged to apply online, applications made in any other manner will be accepted.

The application process includes a resume and an essay. The resume and essay are used to evaluate the overall strength of the applicant. Your scholarships are awarded on an objective and non-discriminatory basis.

Eligible recipients must be enrolled full-time at O at P and:

- have good moral character, as demonstrated by community service
- established academic merit by GPA
- demonstrate financial need, as established via the Free Application for Federal Student Aid (FAFSA)

Eligible recipients must be enrolled full-time at the O and be either:

- an engineering student, or
- enrolled in the T or of U heritage, or
- a member in good standing of W fraternity/sorority.

Prior year recipients also will receive special consideration as the scholarship is renewable based on competitive reapplication.

Your Selection Committee is normally composed of the Associate Director of the Office of Financial Aid (hereafter "Director") at O, the Financial Aid and Scholarship Counselor (hereafter "Counselor") at O and your trustee. The members of the Selection Committee review the scholarship applications and make their selections based on the criteria indicated above.

After the application deadline has passed, a list of the eligible students will be provided to the Director. The Director sorts the list of students by academic merit, general essay

quality and financial need and then makes a recommendation to your trustee regarding the amount that should be awarded to each applicant.

The Director contacts the W fraternity/sorority to obtain a roster of their active members to determine if any of them applied for a scholarship on the website. The Director also contacts the coordinator of the V scholars program to identify current students who are enrolled in the T.

If there are any eligible recipients who did not apply online, they are added to the list.

The Director and the Counselor review the list of potential recipients and determine the tentative award amounts based on the awarding criteria, together with the projected amount of funds for the year. The Counselor compiles a list of nominees along with alternates and suggested award amounts to send to your trustee.

Your trustee has the ultimate responsibility to review the recommendations made to verify the fact that all scholarships meet the criteria. No student is notified of an award until your trustee has approved the list. Your trustee pays the scholarship proceeds directly to O at P to be applied directly for the benefit of the recipient.

The Director is notified of the receipt of scholarship funds from your trustee and in turn notifies the Counselor. The Counselor sends an award letter to each recipient. If for any reason a nominee becomes ineligible, the Counselor can award another nominee or a student from the alternate list.

You represented 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 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 indicate that you will retain complete records. The records will include all information you obtained to evaluate the qualifications of the potential grantees. It will also contain the identification of grantees (including any relationship of any grantee to you, or to an officer or director of you) the purpose and amount of each grant; the terms of payment of each grant; and, any additional information obtained by you as part of the application.

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 May 28, 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