

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

**Department of the Treasury**

**Date:** April 1, 2016

**Employer Identification Number:**

**Number:** 201626028  
**Release Date:** 6/24/2016

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

X= Scholarship Program  
Y= State  
Z= Organization  
b= Number  
c 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 X.

The purpose of X is to provide scholarships to individuals for college education. The scholarships will make college education more affordable for meritorious Y high school seniors who demonstrate financial need and who plan to attend a college or university in Y.

You plan to award approximately b scholarships worth c dollars to deserving high school graduates for use in their freshman year of college. Awards can be used for tuition, fees, supplies, books, and room and board. The scholarships are renewable for four years of use in their undergraduate education, in the same amount each year, on the basis of maintaining a cumulative grade point average of 3.0 on a 4.0 scale and continued enrollment in an eligible postsecondary institution in Y. To be eligible for fourth year funding, students must demonstrate they have taken nine credits by their junior year in government, civics, or United States history.

To be eligible to apply, an applicant must be a current high school senior at any secondary school in Y. The high school senior must plan to enroll full-time in undergraduate study at an accredited, non-proprietary four-year college or university in Y for the entire academic year. The applicant must also have a minimum grade point average of 3.0 on a 4.0 scale.

The selection criteria will consider academic performance, demonstrated leadership and participation in school and community activities, including volunteer work, work experience, a statement of career and educational goals and objectives, and unusual personal or family circumstances. Semifinalists will be selected and will be required to submit transcripts and parent or guardian tax information. Recipients must also demonstrate financial need.

You plan to contract with Z to provide scholarship management services. All money, excluding fees and expenses, will be applied for the payment of scholarships pursuant to the terms of your program. Per the contract, your responsibilities include specifying eligibility guidelines for X, approving application materials, providing a link from your website to Z's website, promoting the scholarship, selecting final distribution amounts, confirming recipients, and providing the scholarship distribution and management fees.

Z's contracted responsibilities include managing the program according to the program description, designing and producing e-application materials, installing an e-application, receiving, acknowledging, and processing all applications, evaluating applications, notifying semifinalists, selecting and notifying recipients, distributing, receiving, and processing of renewal forms, tracking renewal students, paying awards on your behalf, and providing management reports to you to summarize program activities and results.

Pursuant to the contract, Z will publicize the scholarship through press releases and social media posts, and will target email campaigns to high school seniors, guidance counselors, and principals. Z will develop solicitation and announcement materials.

Z will make the selection of award recipients. Z will also maintain case histories of scholarship recipients, including names, addresses, the amount of each grant and the manner of selection. Recipients will provide grade transcripts to Z, who will monitor whether GPA requirements were met for renewal, as well as if students have received the necessary credits to qualify for renewal in their senior year. If the terms of the award are violated, the student is ineligible to receive the scholarship in the following year or

any subsequent year. Z will provide management reports to you summarizing program activities and results.

**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