

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

Department of the Treasury

Date: April 13, 2016

Number: **201628023**
Release Date: 7/8/2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

B= Program Name
C= Bank Name
x dollars= Amount
y dollars= Amount

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

Your letter indicates you will operate a scholarship program called B. B was established to commemorate the goal of your founders reaching x dollars in deposits on their anniversary day. One-hundred years later, you have a different x dollars goal which is to help deserving students attend college by awarding y dollars as part of your multi-year B. The purpose of your program is to improve access to education for deserving students. Scholarships will be awarded to students attending a qualifying school.

For schools to qualify, they must complete a participation form attesting to be a commercial customer of C (the primary operating account is with the bank) and more than half of their students are eligible for free or reduced lunches. Funds will be awarded until the x dollars is depleted. You will contact the schools directly to let them know about B. Participating schools will be responsible for publicizing the program to their students, administering the application process and selecting recipients. Student selection will be based on need and/or scholastic achievement. To qualify, students must meet the following criteria:

- Graduate from high school within four years.
- Attend a two- or four-year accredited college or university, including technical schools.
- Attend college in the fall following his/her high school graduation.

The school will provide the chosen recipients contact information to you. You will send the school the acceptance form for the recipient to notify them of the award. The recipient will complete the form confirming his/her commitment to meeting the eligibility criteria. Scholarships will be awarded on a one-time basis and non-renewable.

Amounts may be adjusted annually based on the availability of funds and number of schools participating. The amounts offered under the scholarship program will be reviewed and approved by the board of directors annually. Relatives of selecting officials or of your officers, directors, or substantial contributors are not eligible for awards made under this program.

You will document the recipient student's enrollment at the educational institution and pay grants directly to the educational institution. You will make a reasonable effort to recover funds from the educational institution in the event that the recipient withdraws from the institution during the period for which grant funds were to be applied.

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 diversion of funds from their intended purposes, (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 (4) 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 represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether a grantee is a disqualified person, (3) establish the amount and purpose of each grant, and (4) 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