

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

**Department of the Treasury**

Number: **201638025**  
Release Date: 9/16/2016

**Date:** June 20, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

N = Name of Bank  
P = Application  
Q = Form  
R = Application  
S = Foundation  
T= Foundation  
U= University  
V= State  
W= University  
X= University  
y dollars = Amount  
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 purpose is to provide educational scholarships to individuals attending a college or university.

You have four different types of scholarships. Three types of your scholarships are publicized by S who you contract with to advertise the scholarships. S maintains a centralized application portal for scholarships and promotes its portal on its website, local television and radio news broadcasts, and print media. Your fourth type of scholarship is advertised by T and X directly to their students.

The criteria for each of your four types of scholarships are as follows:

- Type 1 - An applicant must (1) be a current or incoming undergraduate or graduate student, (2) be enrolled at U, (3) be a resident of V, and (4) have a minimum GPA of 3.0.
- Type 2 - An applicant must (1) be a current junior, senior, or graduate student enrolled at an accredited domestic college or university, (2) participate in a study abroad program through the domestic college or university, and (3) have a minimum GPA of 3.0.
- Type 3 - An applicant must (i) be African- American, (2) be enrolled in an undergraduate or graduate degree program at an accredited college or university in V, and (3) have a minimum GPA of 3.0.
- Type 4 - An applicant must (1) be a foreign student enrolled full-time in an undergraduate or graduate degree program at the W or X, and (2) have a minimum GPA of 3.0.

To apply for the first three types of scholarships, applicants must complete and submit an application through the website portal of S by the date specified in the application. Applicants must complete sections including application information, letters of recommendation, academic history and plans, academic performance, financial need, extracurricular activities and community service, affiliation questions, and a personal statement. For the fourth type of scholarship, applicants should complete and submit the R through the website of the W or the P and Q through the website of X by the date specified. Applicants using the R must provide applicant information, letters of recommendation, the Q, official transcripts, personal statements, and essays. The P asks applicants to complete sections including applicant information, official transcripts, extracurricular activities, academic performance, and parent/legal guardian information.

Scholarship recipients are selected by the Trustee's Trust Administration Committee which is comprised of individuals holding various positions at N. For the first three types of scholarships S prepares a file for each applicant, conducts the preliminary screening for eligibility criteria, and verifies the applicant's enrollment and good standing at a

college or university. W and X conduct the preliminary screening and verification of good standing for the fourth type of scholarship. S, W, and X then provide the applicant files and verifications of good standing to your Trustee and recipients are selected based on criteria such as financial need, scholastic achievement, academic records, and letters of recommendations. For all types of scholarships, you give preference to students pursuing studies in the social sciences pertaining to international understanding and interracial fellowship. Applicants that are disqualified persons with respect to you within the meaning of Internal Revenue Code section 4946 are not eligible for scholarships.

The number of scholarship grants you make each year is determined annually by the trustee based upon the number of qualified applicants and the estimated minimum required distribution to avoid liability for the tax imposed by Internal Revenue Code section 4942. You typically award between ten and fifteen scholarships each year in amounts ranging from y dollars to z dollars. You make a scholarship payment for the recipient's fall semester upon receiving proof that an incoming freshman recipient is enrolled at an accredited domestic college or university or that a current student is in good standing at an accredited domestic college or university. Payments are made directly to the college or university. The recipient must be in good standing to maintain the scholarship and receive the second payment for the spring semester. If a recipient does not remain enrolled at the college or university then you require any unused payments to be returned to you. A recipient may qualify for a renewal of the scholarship but must reapply each year.

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.

We've sent a copy of this letter to your representative as indicated in your power of attorney.

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