

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201641028**

Release Date: 10/7/2016

Date: **July 12, 2016**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

P = Program name

Q = State

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 effective November 23, 2015. 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 P.

The purpose of P is to provide funds for the recipient to attend a state certified public or private trade school, technical or vocational school, community college, junior college, college, university, post-graduate institution, or professional school in the state of Q.

The scholarships will be advertised in the local newspaper and notices and applications are sent to the local high school counselors. The selection committee is comprised of

individuals from the community, including an administrative officer of the local high school.

All interested students must submit four copies of the scholarship application to the board. To be eligible for P, applicants must be in top 10% of their graduating class and demonstrate that they work hard to achieve goals. Applicants must also be involved in extra-curricular activities as well as in the community.

The amount and quantity of the scholarships will be determined annually based upon the amount that needs to be distributed to be compliant with the private foundation minimum distribution requirements. But normally, as the board likes to benefit as many students as possible, the amount of the scholarships are between x dollars and y dollars each.

The scholarships are one-time awards. All scholarship disbursements are sent directly to the enrolled institution of the recipient. All scholarship funding shall be based on information provided that includes proof of enrollment and student identification number. If the student doesn't attend after enrolling, the scholarship is refunded.

You will arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded. You will investigate diversions of funds from their intended purposes. You will take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee and 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 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 properly supervise and investigate 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.
- 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