

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

**Department of the Treasury**

Number: **201650021**  
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**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date: September 14, 2016**

**LEGEND**

UIL: 4945.04-04

U= Scholarship Program  
V= Name  
W= Name  
X= Name  
Y= State  
Z= College Name

b= Number  
c= Number  
d 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 U.

Your purpose is to be the charitable arm of V and W, chapters of X fraternal organization whose members are descendants of those who populated Y in the early 20<sup>th</sup> century. The purpose of U is to further the ability of the descendants of V and W to pursue their undergraduate education at any campus of Z. V and W chapters are currently comprised of approximately B members and over time have had approximately c members. Descendants of members of V and W are made aware of U through communications they may see from the various chapters of X.

Eligibility is limited to those applicants who have at least one parent, grandparent or great-grandparent who are or have been a member of V or W. Applicants must be a full-time student (12 credit hours or more per semester for undergraduate, or 9 credit hours or more for a graduate student) at a campus of Z. Course work must consist of classes numbered 100 or above. No remedial classes or below 100-level credits will count. A minimum cumulative grade point average of 3.0 or above must be maintained.

The amount of the scholarship will be no less than d dollars. The amount of the scholarship and number of scholarships given vary from year to year based on the amount of funds available and the number of qualified applicants.

Each potential recipient must complete an application process. This includes completing an application form, providing transcripts showing cumulative GPA, an essay (This is only required of first time applicants.) and their college registration.

Your scholarship selection committee, which is composed of three or more board members, will review applications and the required documents which are redacted to remove personal information. This committee will then present the list of acceptable applicants and their credentials to the meeting of your entire board for final approval. Were any applicant to be a direct relative of a board member, that member is recused from the decision process. You understand that grants cannot be made to "disqualified persons" and thus the spouses, children, grandchildren, great-grandchildren, of current Board members and Officers (i.e., foundation managers) and spouses of foundation managers' children, grandchildren, and great grandchildren are ineligible to receive scholarships.

The scholarship will be paid as follows: one-half of the year's scholarship will be paid in the fall, upon submitting a copy of the fall semester registration confirmation and the transcript of the previous semester's grades. The second one-half shall be paid upon your receipt of a copy of the student's transcript reflecting the preceding semester's performance, along with verification of the registration for the spring semester. Checks will be issued payable jointly to the student and campus. A student receiving a scholarship in one year is eligible to receive a scholarship in succeeding years, but he/she must complete a new application each year. (The biographical essay is not required in succeeding year applications.)

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, 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 (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.

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