

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201651017**

Release Date: 12/16/16

Date: **September 22, 2016**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

t = dollar amount  
u = dollar amount  
v = dollar amount  
W= scholarship 1  
X= scholarship 2  
Y= scholarship 3  
Z= school

**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**

You will operate three scholarship programs called W, X, and Y.

Your purpose is to provide financial assistance to young people who show a desire to continue their formal education. You provide financial support to local area schools that support and promote Science, Technology, Engineering and Mathematics (STEM)

education opportunities in your local communities. You also support other worthwhile family centered activities that improve the quality of life for all within your communities.

The purpose of W is to award high school seniors who have demonstrated high academic performance, leadership, and participation in high school and community activities an educational scholarship. The scholarship is for v dollars per year and is renewable for up to three years (for a total of four years). Students receiving this award must be enrolled in a full-time post-secondary study program that will lead to a baccalaureate (bachelor's) degree from an accredited educational institution.

The purpose of X is to award high school seniors a one-time u dollars award for students who will be enrolled in any post- secondary study program at an accredited educational institution, including a technical school, vocational school, or a certification or apprenticeship program. Selection criteria may include motivation to succeed, leadership and participation in school and community activities, significant improvement in high school attendance and/or GPA, overcoming a significant obstacle, and work experience.

The purpose of Y is to award the valedictorian of Z a t dollars scholarship. No application is required.

Scholarship applications will be promoted and solicited by the information on your webpage. You will also contact the guidance counselors of the local high schools and encourage them to publicize the scholarship program to students.

Applicants for W and X will be required to submit a scholarship application and a complete grades transcript. The application includes a brief essay and references.

You impose identifiable minimum requirements for scholarship eligibility related to the purposes of the scholarship program. Eligibility criteria for the scholarships include:

- The applicant must be currently enrolled in his or her final year of high school/secondary school
- The applicant must be planning to enroll in full-time study at a college, university, two- year college, vocational-technical school or certification or apprenticeship program. Certification or apprenticeship programs must be sponsored by an accredited educational institution (including vocational-technical schools)
- Applicants may only apply for W or X, and not both

An independent selection committee composed of persons unrelated to you reviews all scholarship applications and awards the scholarships based on the following criteria:

- Academic performance
- Motivation for pursuing education
- Reference letters
- Demonstrated financial need

You will maintain case histories showing recipients of your awards, including names, addresses, purposes of awards, amount of each grant, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

Relatives of members of the selection committee, or of your officers, directors, or substantial contributors are not eligible for awards made under your program.

You will (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 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 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 undertook the supervision and investigation of 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