

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

Department of the Treasury

Release Number: 201702047
Release Date: 1/13/2017
Date: October 19, 2016

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

X = Scholarship Program
y dollars = Amount of Grant

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 X.

The purpose of X is to assist American students who are focused on advancing American Muslim inclusion and reducing anti-Muslim discrimination in connection with their pursuit of a degree in a graduate or undergraduate program at an educational organization described in Section 170(b)(1)(A)(ii) of the code. Each scholarship awarded shall be in an amount equal to y dollars, to be applied to the student's tuition. The amount awarded

may increase as determined by your Board of Trustees. You will publicize the scholarship on your website and through social media.

The scholarship will be awarded to the students based on the criteria below:

1. The recipient must be a U.S. citizen enrolled in a graduate or undergraduate program relevant at an educational organization described in Section 170(b)(1)(A)(ii) of the code.
2. The student must have a GPA of at least 3.0. The student is awarded points based on his or her GPA as follows: 3.0-3.2 = 1, 3.3-3.4 = 2, 3.5-3.6 = 3, 3.7-3.8 = 4, 3.9 = 5, and 4.0 = 6.
3. The student must provide a Statement of Interest describing his or her commitment to work in the area of building inclusive community with American Muslims or reducing bias or prejudice against American Muslims. The student is awarded points based on the Statement in an amount between one and five.
4. The student must provide two letters of reference: one from an on-campus reference, and another from an off-campus reference. The student is awarded points based on each letter of reference in an amount between one and three.
5. The student must provide a Statement of Activities to Date demonstrating leadership and commitment to building inclusive community with American Muslims, as well as submit their current resume. The student is awarded points based on the statement and resume in an amount between one and five.
6. Each member of the selection committee will perform the analysis above and add up the points for each student. The total points for a student from each member of the selection committee will be averaged. The scholarship will be awarded to the student(s) with the highest number of points.

Three scholarships will be awarded in the current year. In subsequent years, you may resolve to award fewer or additional scholarships. The scholarship is awarded for only one year, and is not renewable.

You will pay the scholarship directly to the university or college registrar. One month after the commencement of the semester or quarter, the student receiving the scholarship will be required to submit a report describing the use of the funds. At the end of the term, the student will be required to submit its grade transcripts. If no report is filed by the student, or if the report indicates that the funds are not being used in furtherance of the scholarship purpose, you will investigate the grant. While conducting this investigation, you will take reasonable steps to recover grant funds, unless it has been determined that the funds were used for their intended exempt purpose. If the student withdraws from school and any refund is due, the amount of the scholarship will be repaid.

The selection committee will be composed of qualified members of your staff who are experts in inclusive American Muslim community-building. Upon any resignation of a committee member, the President will appoint a successor. You will retain all records submitted by the grantees. 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 maintain its file evidence that no recipient is related to the Foundation or to any members of the selection committee.

You will maintain case histories showing recipients of your scholarships, fellowships, educational loans, or other educational grants, 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.

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.

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