

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

Release Number: **201710037**

Release Date: 3/10/2017

Date: DECEMBER 13, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

X= Number of scholarships

Y= Amount of scholarship

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 provide Scholarship Grants to high school, college, and graduate school students to enable the recipients to pursue an undergraduate or graduate education at the college or graduate school of their choice. Additionally, you may provide Scholarship Grants to individuals to enable the recipients to take a course of study leading to a certificate or achieve a skill level, such as at a vocational or art school, or provide grants to primary and secondary school students to allow them to attend certain educational programs.

Initially, you will offer x scholarships per year to high school graduates in the amount of y. Moving forward, the exact number of grants to be awarded annually and the exact amount of each of those grants will be determined by your Trustees.

The criteria for Scholarship Grants may include, but are not limited to, the following: prior academic performance, performance of the applicant on tests designed to measure ability and aptitude for educational work, recommendations from instructors of the applicant and any others who have knowledge of the applicant's capabilities, additional biographical information regarding an applicant's academic and other relevant experiences, financial need and information to assist with the assessment of the applicant's motivation, character, ability, or potential. Criteria may also include the applicant's place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of the applicant's artistic, scientific or other special talent.

Depending on the scholarship to be awarded, the recipients of Scholarship Grants must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) students at an institution that provides an educational program or offers a training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a recognized accreditation agency.

When you decide to make a Scholarship Grant, the Trustees will determine the specific criteria for such grant (selecting only from the permissible range of criteria options set forth above) that will be used to select Scholarship Grant recipients, with the understanding that the specific criteria must be appropriate to accomplishing the underlying purpose of the grant. All Scholarship Grants must be for Qualified Expenses at an Educational Institution. Grants are not automatically renewable.

In order to be eligible for a Scholarship Grant, an applicant must meet the following standards:

1. The applicant must submit a confidential application on a form to be approved by you or by a representative or scholarship committee of a qualified Educational Institution.
2. The applicant must meet the specific criteria to be established by the Trustees or by a representative or scholarship committee of a qualified Educational Institution.
3. The applicant must be enrolled in or about to enroll in an Educational Institution.

You will publicize the availability of scholarship grants through school and college counseling offices and similar student scholarship clearinghouses. You may also contact high school, college and graduate school administrators to request that these

administrators nominate potential candidates or encourage potential awardees to submit applications for such grants.

When possible, a Scholarship Grant will be paid directly to the Educational Institution for the benefit of the grant recipient. Each Educational Institution must be described in IRC Section 170(b)(1)(A)(ii) and must agree in writing to use the grant funds to defray the scholarship recipient's expenses or to pay the funds or any portion thereof to the recipient only if the recipient is enrolled at such Educational Institution and his or her standing at the Educational Institution is consistent with the conditions of the grant, if any.

If for any reason, a Scholarship Grant is paid to a person or entity other than the Educational Institution attended by the scholarship recipient, the scholarship recipient must provide a written report on the use of such a Scholarship Grant at least once each year and at the end of the grant period. This report must include a summary of the use of the funds awarded, and the grantee's courses taken (if any) and grades received (if any) in each academic period. This report must be verified by the Educational Institution.

If you learn that all or any part of a Scholarship Grant is not being used to further the purposes of the grant, you will take all reasonable and appropriate steps to recover the grant funds and/or ensure restoration of the diverted funds to the purposes of the grant. If such a diversion occurs and the grantee has not previously diverted grant funds to any use that does not further the purposes of the grant, you will withhold any further payments to the grantee until it has received acceptable assurances that future diversions will not occur and will require the grantee to take extraordinary precautions to prevent future diversions from occurring.

Where a grantee has previously received funds and it is determined that any part of a grant has been used for improper purposes, you will take all reasonable and appropriate steps to recover the grant funds and/or ensure the restoration of the diverted funds to the purposes of the grant. In such case, you will withhold further payments until: (1) the diverted funds are in fact recovered or restored; (2) you have received assurances that future diversions will not occur, and (3) it has been required that the grantee has taken extraordinary precautions to prevent future diversions from occurring.

### **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