

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

**Department of the Treasury**

Release Number: **201710038**  
Release Date: 3/10/2017  
Date: December 6, 2016

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

UIL: 4945.04-04

C= Name of High School  
D= Location  
e = Minimum amount of scholarship  
f = Endowment value

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**

Your letter indicates that you will operate an educational scholarship program.

The purpose of the program is to provide scholarships to worthy graduates of C in D to attend college or university. You will not provide educational loans.

Graduating seniors with a 2.5 GPA and a desire to further their education are eligible for the scholarships. Criteria used are academic performance, involvement in school and community activities, and financial need.

There are no specific solicitation or announcement materials. The scholarship application is available at the Career Center at C and the career advisor announces what scholarships are available.

The minimum scholarships shall be \$e for a one year period. Six scholarships will be funded annually. At the end of the first quarter you may make available for scholarship up to one-half of all non-committed funds that exceed the \$f in the trust fund.

In determining eligibility, you will ask for a transcript and ACT/SAT data from the school. You will also request two letters of reference, one from a teacher and one from a person not affiliated with the high school, assessing strengths and weaknesses in regards to character, abilities and desire to learn and work ethic. In addition, the candidate must write an essay explaining why he or she should be awarded this scholarship and what distinguishes him or her from the other applicants.

The following individuals shall not be eligible to apply for or receive an scholarship: (a) your employees or their family members; (b) your executives, officers, or directors, or their family members; and (c) any otherwise "disqualified person" with respect to you as defined by Section 4946 of the Internal Revenue Code, or family members.

At no time in the scholarship application process will you discriminate against any applicant on the basis of race, religion, creed, color, sex, age, physical or mental disabilities, sexual orientation or national origin.

The recipients of the scholarship shall be chosen by a selection committee, with the assistance of your officers and/or employees assigned to assist with the operation of the scholarship. The selection committee consists of five members of the Board of Trustees appointed by the President and the President herself. The President fills vacancies on the committee by appointing replacements.

When each recipient has provided your treasurer with the name of the college or university he or she will attend and a copy of the admittance letter, the treasurer disburses funds for the first semester. Recipients must send the treasurer a transcript of first semester grades before you pay for the second semester. You pay the funds directly to the college or university and they apply the funds to the enrolled student in good



standing. The school monitors the grade point average of the student and if the 2.5 GPA is not maintained the funds are not released. A student who does not maintain the required GPA but contacts you will be granted a probationary period to bring up the grade point average. If it is clear that the student will not meet the GPA requirement the school returns the funds to you.

The Treasurer maintains the recipient's name, address, what college or university they attend, the amount of the scholarship and the dates of disbursements. You will maintain all records relating to individual scholarship grants, including information obtained to evaluate scholarship grantees, identify whether a scholarship grantee is a disqualified person, establish the amount and purpose of each scholarship grant, and establish that you undertook the supervision and investigation of scholarships.

You will arrange to receive and review scholarship grantee reports annually and upon completion of the purpose for which the scholarship grant was awarded. You will investigate diversions of funds from their intended purposes, and take all reasonable and appropriate steps to recover diverted funds, I ensure other scholarship grant funds held by a scholarship grantee are used for their intended purposes, and withhold further payments to scholarship grantees until you obtain scholarship grantees' assurances that future diversions will not occur and that scholarship grantees will take 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 scholarship grant to an individual for travel, study, or other similar purposes. However, a scholarship grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the scholarship grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the scholarship grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The scholarship 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 scholarship program described above. This approval will apply to succeeding scholarship 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 scholarship 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 scholarship 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 scholarship 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