

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

Release Number: **201716050**

Release Date: 4/21/2017

Date: **January 25, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = Program

Y = State

z dollars = Amount

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

Your letter indicates you will operate a scholarship program called X. The purpose of X is to identify and reward young leaders who are likely to make a positive impact on their community.

To be eligible for consideration the applicant must meet the following minimum criteria:

- Applicant must be at least 13 years old, no older than 25 years old, and enrolled in a middle school, high school, community college, or university.
- Application must be submitted online.

- Applicant must provide contact information, including e-mail address and telephone number, and complete the application in full.
- Applicant must maintain his or her primary residence in one of seven specific counties in the State of Y
- Applicant must submit nomination in either English or Spanish.
- Applicant must submit the required information regarding the educational institution at which he or she would like to use the funds.

The selection process will be completely non-discriminatory with respect to race, religion, and ethnic origin. Recipients will be selected based on the following criteria by a selection committee:

- Past community service and volunteerism
- Enrollment in middle school, high school, college or university
- Strength of reference letters from school
- The degree to which the recipient has planned and/or organized a service activity which has clearly benefitted other people in the community
- The degree to which the service activity was initiated and motivated primarily by the applicant; the activity may not have been done solely to complete an assignment for school or work
- The degree to which the recipient has come up with a community plan that will make a special and significant impact on individuals, families or the community- at-large.

You will not consider an application from any person who is a descendant or their spouse to any of your officers, trustees, donors, or member of the selection committee.

Each scholarship grant will be in an amount up to z dollars to be used for tuition, fees, and other course-related expenses such as books, supplies and equipment, at an accredited middle school, high school, college (including community colleges), or university at which the recipient is a candidate for a degree or diploma. If there is no present financial need, or if the present financial need is less than z dollars, you reserve the right to defer some or all of the amount by which the present scholarship grant falls short of z dollars until a future year when the recipient does need the funds for education, and use that deferred amount to fund a scholarship grant for the recipient's benefit at that time.

You expect to make grant payments directly to the educational institution with instructions that the grant is made subject to the condition that the recipient is an enrolled student in good standing. Further, the grant terms will require the student to send a narrative report, and will require either the student or the school to send a copy of the transcript at the end of the school year. In an unusual situation when the grant is made to an educational institution to pay the tuition or other expenses and the recipient does not attend that institution, the terms of the grant will require the institution to repay the grant funds to you to the extent they are not used for the intended purpose.

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 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