

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

Department of the Treasury

Release Number: **201716051**
Release Date: 4/21/2017
Date: **January 25, 2017**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = Scholarship
Y = High School
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 provide scholarships for eligible students at Y High School to pursue a post-secondary education in the arts. Scholarships will be z dollars per year and are renewable for a maximum of three years. You may elect to increase the dollar amount in future years.

The scholarships will be publicized through the school counseling department and by the arts teachers at Y High School. Applications will be accepted through a unified scholarship application process in place at Y High School.

To be eligible for the scholarship the recipient must be a graduating Y High School senior. Selection of recipients will be decided by your board members based on the following criteria:

- Acceptance into an accredited art program
- Evidence of good character
- Level of participation in community and/or school arts programs
- Letters of reference
- Essay written in response to one of three questions, to be selected by the applicant
- Plans for future life involvement in the arts.

The selection committee consists of your board members. Your board members must be members of the local community and display an interest in pursuing the arts. Relatives of members of the selection committee, officers, directors, and substantial contributors are not eligible for awards.

Awards will be paid directly to the college at the beginning of the academic year. Each scholarship can be renewed by submitting an official college transcript showing they have a minimum grade point average of 2.5. Recipients must also submit a letter at the end of the academic year detailing their accomplishments along with samples of art work to show to the community. Failure to comply with these requirements will render the individual ineligible to renew their scholarship.

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.

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