

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

**Department of the Treasury**

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**Date:** February 9, 2017

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

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 and educational grants 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 operate a scholarship program to provide financial assistance to individual recipients for study at an educational organization described in Code Section 170(b)(1)(A)(ii).

You expect to award grants to applicants who have a strong record of academic or professional achievement in their scientific field, clearly articulated research plans and hypothesis, and a strong commitment to dissemination of scholarly yet accessible research. Additionally, eligibility may include an assessment of financial need if an applicant is conducting post-doctoral work or is otherwise conducting research as part of their pursuit of an advanced degree.

Your key selection criterion for individual grants is how the work of the individual fits in with your programmatic objectives. Specifically, you will identify qualified recipients who have an expertise in a field of study that is important to your charitable purposes, have a strong record of academic or professional achievement in their scientific field, clearly articulated research plans and hypothesis, and have a strong commitment to dissemination of scholarly yet accessible research. You may also focus on identifying recipients engaged in study and research in areas in which you seek to promote learning and research, or specific projects selected by your Board to promote your purposes.

Since some grants may be based on financial need, applicants may be expected to document their financial need. Additionally, applicants may be asked to provide academic transcripts, professional references, or examples of prior work. There will be no limitations or restrictions in the selection procedures based upon race, religion, national or ethnic origin, or other illegally discriminatory criteria. Your Board of Directors, or a person or persons to whom the Board has delegated selection authority, will select grant recipients. A lottery system will not be used to select recipients.

The number and amount of individual grants that you may award will depend on your philanthropic priorities, your available funds, and the extent to which an individual grant component fits with the organizational grantees selected.

The following will not be eligible for your grants:

- Your employees.
- Employees and the Board of Directors of organizations controlled by one or more of your Directors.
- Individuals who are related by blood or marriage to your employees, or to employees or directors of organizations controlled by one or more of your Directors.

You will maintain the records required by Revenue Ruling 56-304, 1956-2 Cum. Bull. 306, regarding distribution of charitable funds to individuals. In some cases, you will require an individual recipient to sign an agreement obligating the recipient to submit full reports on a periodic basis before any funds are disbursed. In other cases, if the individual is working at an organization receiving a grant from you, you will require the organization to submit the reports on the activities of the individual as part of your grant agreement with the organization. You will use these reports to monitor and evaluate the expenditure of funds and the progress made by each recipient. Furthermore, you will require a supervising faculty member, research director, or other appropriate official, depending on the research setting, to review and approve the reports prepared by the individual recipient, as required under Treasury Regulation Section 53.4945-4(c)(2).

Any apparent misuse of funds will be promptly investigated, and if funds have been misused, you will require the recipient to return the funds immediately, and will make no further distributions to that recipient. While you have not developed criteria for renewing grants to individuals, if a recipient continues to meet the eligibility criteria, you may allow for an extension or make additional grant awards to or on behalf of a recipient.

**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 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