

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Release Number: **201726017**

Release Date: 6/30/2017

**Date:** April 3, 2017

**Department of the Treasury**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND:**

X= scholarship

Y= state

z dollars = award 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 provided in Code section 117(b)).

**Description of your request**

You will operate a scholarship program called X to provide support for Y students who might not otherwise continue their post-secondary education without financial assistance.

You will award scholarships each year according to the funds available and the number of qualified applicants. In 2017, it is estimated that a total of ten z dollars scholarships will be awarded to eligible students. Scholarships will be renewable for up to four years.

You will disseminate information about X through social media, print, emails, your website, other educational websites, press releases and college fairs. Print materials will be mailed directly to every high school guidance office in Y. You will use these means to detail the purposes for which X is awarded, eligibility requirements, selection criteria, and your application deadline. Applicants

will complete an online scholarship application which will be available on your website. Print applications will also be available upon the applicant's request.

Eligibility to receive a scholarship is currently restricted to residents of Y enrolled or intending to enroll at a college or university, wherever located and described in Section 170(b)(1)(A)(ii) of the Code. In addition to the application, students will also submit an essay, transcripts, recommendations and a demonstration of financial need as reported in their Federal Student Aid Report. Selection for a scholarship is based on a combination of financial need and academic merit. Scholarships will be awarded after your board meets in May.

Awards are given on academic excellence, contributions to the community, need, and an essay.

Scholarships will be paid directly to the educational institution and must be used for tuition or related expenses within the meaning of Code section 117(b)(2). Also students are required to submit academic transcripts to demonstrate that they are meeting the satisfactory progress requirements for renewal of awards. Recipients may renew X for up to four years.

#### **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