

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

**Department of the Treasury**

Number: **201731018**  
Release Date: 8/4/2017

**Employer Identification Number:**

**Contact person - ID number:**

**Current contact telephone number:**

**Date: May 11, 2017**

**Telephone number after May 18, 2017:**

**LEGEND**

B = Program  
C = School district  
D = School  
E = Number  
F = Number  
g 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 B.

The purpose of B is to provide scholarship grants to high school seniors attending college the following year. Scholarship funds will be used to offset the cost of recipients' college tuition and related educational expenses. Recipients are eligible to receive up to g dollars per year. You will pay one-half of the annual award in each of the two academic

semesters for up to four years, as long as the recipient meets the renewal criteria. Your selection committee will determine the exact amount to be awarded to each recipient, in each case taking into account the cost of tuition and related expenses at the recipient's college or university.

Scholarships will be made available to seniors enrolled in C School District. You expect to expand the program to other high schools, particularly D, and may expand the program to include other private, public, and parochial schools.

You expect to select up to E scholarship recipients each year. The number of scholarships awarded each year may vary depending on your resources, the number of qualified candidates, and the number of applications received.

You will publicize the program by informing high school guidance counselors within the related area about the program. You expect to send letters to the guidance counselors informing them of the scholarship and setting out application criteria and deadlines so the information can be shared with eligible students.

Students will apply for the scholarship by submitting a resume and essay on a topic chosen by your scholarship selection committee.

In order to be eligible for a scholarship, a student must be a graduating high school senior who will be attending an institution of higher education described in Section 170(b)(1)(A)(ii) of the Code. The student must also have a 3.0 GPA ("B" average) or better in high school. Higher grades will not receive additional weight in the selection process.

The criteria you will use are intended to identify hard-working, motivated students for whom an undergraduate program likely lead to substantial student debt.

Disqualified persons, as defined under Section 4946 of Code, are not eligible to apply for a scholarship.

Your scholarship selection committee will review all resumes and essays submitted. You will conduct in-person interviews of certain applicants. The number of applicants selected for in-person interviews will be based on the number of scholarships to be awarded and the number of applicants satisfying the scholarship criteria. The selection committee will choose scholarship recipients from applicants who participated in in-person interviews.

Currently, your selection committee is comprised of your founder, his son and his son's wife. Your Board of Directors will replace committee members as needed. The only criteria for committee membership are the desire to serve and the ability to impartially select qualified recipients.

In order to receive funding for the second semester, and for subsequent years, a student must complete F credit hours per semester (not including athletics or physical education courses) and must maintain at least a 3.0 GPA ("B" average) each semester. The recipient must provide you with a certified copy of his or her college transcript verifying



course load and GPA for the prior semester. If a recipient does not satisfy these requirements, the recipient's scholarship will terminate and cannot be reinstated.

You will consider extending a recipient's scholarship for graduate school. A decision to extend a scholarship through graduate school will be based on a discussion between your scholarship selection committee and the recipient, following the recipient's completion of an undergraduate program.

Scholarship payments will be made directly to the recipients' college or university, to be used for the recipients' tuition and other related costs. Recipients must be enrolled and in good-standing. In the event a student withdraws from school, to the extent tuition is refundable, scholarship funds will be returned to you. A student who does not comply with the renewal criteria will not be eligible for scholarship funds in future years.

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 diversions from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information 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,

Stephen A. Martin  
Director, Exempt Organizations  
Rulings and Agreements