

Internal Revenue Service

P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number

LEGEND

UIL: 4945.04-04

X= Program Name

Y= School Names

Z= Number

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

Your letter indicates you will operate a scholarship program called X.

Your purpose is to provide educational opportunities for individuals who would not normally receive transitional academic scholarships.

X is collaboration between you and the partner institutions consisting of Y, which are higher education institutions. Although you may not always be engaged directly in individual grant making, you have structured X to comply with Code section 4945(g)(1).

You will provide funds to the partner institutions, who will manage the application and selection process, and make scholarship distributions. In addition, you will provide significant input with respect to the eligibility criteria. Awards are to be used for the recipient's expenses incurred in attending an educational institution described in Code section 170(b)(1)(A)(ii).

You expect to make up to Z annual scholarships through X. The amount awarded will not exceed the anticipated costs of tuition, room and board, fees, books, supplies, travel costs, and a living allowance.

You will publicize the availability of the scholarships through direct and indirect contacts with the general public including through your website, through various charitable and educational organizations that work with and provide services to youth and other worthy individuals and through the websites of Y.

The applicants must meet one of the following criteria:

- The applicant must be an adult with dependents in their family unit.
- The applicant must be an adult with physical disabilities.
- The applicant must be a young adult with a history of abuse, neglect, or lack of family support, and/or experience in foster care.

Applicants will apply for the scholarship by using the partner institution websites. The scholarship application may request applicants to provide the following information:

- A transcript of prior academic, literary, and/or other achievements,
- A report of performance on tests designed to measure ability and aptitude,
- A description of financial need,
- An essay describing interest and aspirations,
- A list of honors and recognitions,
- Written recommendations from non-related individuals,
- Names of other educational institutions to which the applicant has applied and/or been accepted.

Each partner institution will have its own selection committee. Each committee will consist of representatives from the partner institution community and one member you designate. Members of the selection committee, their spouses, dependents, and other disqualified individuals are not eligible for the scholarship. The selection committee may choose scholarship recipients, but not limit their choice, based on prior academic performance, performance on tests designed to measure ability and aptitude, recommendations from non-related parties, and personal interviews with the applicant.

You rely on the partner institutions to retain the following written records to be available for your review:

- All information used to evaluate the qualifications of the applicant,
- The identification of each recipient including any relationship making the recipient a disqualified person,
- The amount and purpose of the scholarship,
- The reports and other follow-up information obtained.

You will supervise, investigate, and review scholarships to ensure the funds are properly used by obtaining reports. You will take all reasonable and appropriate steps to recover any misused funds and ensure any future funds provided to the recipient are properly used.

To the extent that you manage the application and the selection process directly, you will retain written records pertaining to all grants awarded including the following:

- All information used to evaluate the qualifications of potential recipients.
- Identification of each recipient (including any relationship of the recipient to make the recipient a disqualified person within the meaning of Code section 4946(a)(1)).
- Specification of the amount and purpose of each scholarship.
- The reports and other follow-up information obtained under this procedure.

Scholarships that are awarded for regular study at an educational institution described in Code section 170(b)(1)(A)(ii) generally will continue for the designated term of the scholarship during the recipient's course of study at such institution, so long as the recipient maintains satisfactory progress toward completion of his or her course of study and otherwise conforms to the terms and conditions of this procedure.

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