

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

Department of the Treasury

Release Number: **201742030**
Release Date: 10/20/2017
Date: July 26, 2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND:

B = scholarship
C = school district
D = school 1
E = school 2
y dollars = dollar 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

You will operate B, a program to provide scholarships for underprivileged students graduating from local high schools to begin their undergraduate studies in Science, Technology, Engineering or Mathematics at four-year colleges or universities.

You will offer up to two scholarships of y dollars per scholar per year, for a one year time period. Two new scholars will be selected each year. The students shall be selected from C high schools. For the initial implementation, one student each shall be selected from D and E.

In the future, you may modify the number of high schools, which high schools, or limit the number of nominations submitted for B.

You will advertise the availability of B, and request that principals, counselors and/or teachers of the named high schools nominate potential candidates or encourage students to submit applications for B.

Applications must include the following items:

- a. Application form
- b. High school transcript
- c. Letters of recommendation from high school teachers
- d. Letter of recommendation from high school college counselor
- e. Copy of W-2s from parent(s)' prior year tax return(s)
- f. Copy of application for financial aid from college to be attended

Applicants must demonstrate financial need; academic excellence; dedication to the subjects of science, technology, engineering or mathematics; and, desire to obtain a four-year degree in science, technology, engineering or mathematics.

The selection criteria include, but are not limited to, prior academic performance; performance on tests designed to measure ability and aptitude; recommendations from teachers or other persons with knowledge of the applicant's capabilities; biographical information regarding the applicant's career and relevant experience; financial need; and, conclusions that the Selection Committee may draw as to the applicant's motivation, character, ability or potential.

Scholarships will only be awarded for those to be enrolled at eligible educational institutions described in Section 170(b)(1)(A)(ii) of the Code.

Individuals who are disqualified persons as defined in Section 4946 of the Code will not be eligible to receive B.

Your staff will evaluate students' applications. Your Executive Director will make recommendations to the Selection Committee, which is made up of your Board of Directors, for their final selection.

The Selection Committee is obligated to disclose any personal knowledge of or relationship with any candidate in circumstances where the member may derive, directly or indirectly, a private benefit if the candidate were to be selected. No grant may be awarded to family members of the Selection Committee, substantial contributors, employees, or any other disqualified persons.

B will be paid to the student's accredited four-year college or university. The educational institution may use funds only to defray the student's expenses, or to pay the funds to the student only if the student is enrolled, and his or her standing is consistent with the grant.

You will receive an annual report, verified by the educational institution, on the progress of each recipient, including, but not limited to, a summary of the use of the funds awarded, the courses taken, and the grades received. If there is a failure to submit a

report or the report submitted indicates any part of B is not being used in furtherance of its purposes, you will investigate and take remedial action.

You will retain all records pertaining to B and require annual reports from the grantees, as required, to ensure that the funds are used appropriately and verified by the educational institutions, as necessary.

You will maintain case histories showing recipients of B, including names, addresses, purposes of awards, amounts, manner of selection, and relationship (if any) to officers, trustees, or donors of funds to you.

You will maintain all records relating to B, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants.

You will investigate any use of funds inconsistent with the purpose of B, and take all reasonable and appropriate steps to seek recovery or restoration of any funds not used in furtherance of its purpose. You will undertake the following steps with regard to investigation of misuse of funds:

- a. Arrange to receive and review grantee reports annually and upon completion of the purpose for which the grant was awarded;
- b. Investigate diversions of funds from their intended purposes, and
- c. Take all reasonable and appropriate steps to recover diverted funds, ensure other grant funds held by a grantee are used for their intended purposes, and 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.

If you learn that any part of a grant is not being used in furtherance of the purposes of the grant, you will take all reasonable and appropriate steps to recover the grant funds or ensure restoration of the diverted funds to the purposes of the grant. All reasonable and appropriate steps shall include legal action where appropriate, but need not include legal action if such action would in all probability not result in the satisfaction of execution on a judgment.

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,

Stephen A. Martin
Director, Exempt Organizations
Rulings and Agreements