

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

Department of the Treasury

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Release Date: 10/20/2017
Date: July 25, 2017

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

X = City
Y = City

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 award scholarship and fellowship grants on an objective and nondiscriminatory basis to individuals enrolled at college level who have demonstrated academic success in their chosen field and are seeking to further their studies at educational institutions described in Code section 170(b)(1)(A)(ii).

Eligible candidates are enrolled at college level, in either undergraduate or post graduate programs, seeking to further their studies. They are required to provide a description of the course of study they intend to pursue, a personal statement about their goals and objectives, a curriculum vitae describing their education and background, two letters of recommendation, a proposed budget of expenses, and request for funding.

Scholarship recipients will be selected based upon their prior academic success, demonstrated personal commitment, and financial need. When selecting among several qualified applicants, the selection committee will closely consider the financial need, the specific goals of each applicant, the ways in which a grant will impact the applicant to achieve his or her goals, and the specific purposes for which the grant request was made.

Your selection committee will be comprised of three of your governing body members. No person related to a member of the selection committee, officer or director, substantial contributor, or any other disqualified person will be eligible to receive a grant.

Grant funds will be paid directly to the educational institution at which the recipient is enrolled. You will require all grant recipients to provide a report at the end of the grant term describing how the grant funds were used. Grant recipients will be required to return any funds that are not used specifically for the educational purposes set forth in their application.

You will publicize your educational grants through educational institutions and other charitable organizations in X and Y which have a focus on music and the arts. You will focus on helping students who require financial assistance to expand their education at college and post graduate levels.

The number of grants awarded each year will depend on the quality of applications received, but will not exceed two per year. The amount of the grants will be determined by the needs of the applicant but will be capped at a reasonable amount.

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, (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 diversion from occurring.

You represent you will do the following: (1) maintain all records relating to individual grants including information obtained 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.

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