

**Internal Revenue Service**

P.O. Box 2508  
Cincinnati, OH 45201

Release Number: **201744021**

Release Date: 11/3/2017

Date: **August 11, 2017**

**Department of the Treasury**

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

V= grant program

W= grant program

X= grant program

Y= grant program

b dollars = annual dollar amount

c dollars = scholarship amount

D= state location

E= state

f dollars = annual dollar amount

g dollars = scholarship amount

H= college

J= High School 1

K= High School 2

L= High School 3

M= named individual

n dollars= annual 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**

Your letter indicates that you will operate four scholarship programs.

Your purpose is to enhance access to higher education.

General information applicable to all scholarships:

1. In all cases within the scholarship programs selections are made on an objective nondiscriminatory basis. Gender and race are never a consideration.
2. No person with a conflict of interest, or person deemed to be disqualified party may apply or receive a scholarship.
3. Financial need, ability to succeed in college, along with character and motivation are core considerations.
4. All recipients receive and must sign a scholarship contract which sets forth the terms of the scholarship, what can be expected from you and the obligations of the recipient.
5. In addition, all students must submit a Financial Aid letter, or its equivalent, from the University setting forth all the sources of financial aid being received by the student.
6. You administer all the direct scholarship programs to insure renewal criteria are met by each student for the duration of the scholarship. The administrative criteria include grade reports detailing semester credit hours and GPA, and documentation of community service hours performed.
7. A student completing less than 12 credit hours or achieving less than a 3.0 GPA will be placed on probation and given an opportunity to recover. If the student then meets the credit hour and GPA requirements the following semester, the probation status is removed. If not, the scholarship is terminated.

Your first scholarship program is administered by V. You budget b dollars annually with a maximum annual scholarship of c dollars per student for 2 years.

You set the following parameters:

1. Students must come from the 56 counties of D.
2. Minimum 1650/24 SAT/ACT score.
3. Must attend a E public college or university.
4. V submits applications meeting those parameters.
5. You review applications and make a recommendation of recipients to V.
6. V awards scholarships and administers them for the duration.
7. Post-award administration includes documenting attendance at a state college or university and maintaining GPA requirements for renewal.

Your second scholarship program is W and is administered by H. You budget f dollars annually with a maximum annual scholarship of g dollars per student for two years.

H collects applications for the W and reviews them for completion. You review the applications for:

1. Demonstrated academic ability -- GPA of 3.0 is required to apply
2. Financial need is a major consideration
3. Applicant must apply for a Pell grant but receipt is not a requirement.
4. Letters of recommendation from H personnel
5. Must attend a E public university or college
6. Personal interview required with you and selections after interviews
7. Renewal Requirements:
  - i. Maintain a GPA of 3.0 or better on a minimum of 12 semester hours
  - ii. Perform 25 hours of community service per semester
  - iii. Not subject to disciplinary action by the school
  - iv. Correspond with you regarding college experience

Your third scholarship program is X. You budget f dollars annually with a maximum annual scholarship of g dollars per student for four years.

Scholarships are for graduating seniors of the following high schools in D:  
J, K, L

All three high schools consider the following:

1. Demonstrated academic ability -- GPA of 3.0 is required to apply
2. Financial need is a major consideration
3. Applicant must apply for a Pell grant but receipt is not a requirement.
4. Recommendations of faculty and staff (see special note below)
5. Must attend a E public university or college
6. Personal interview required prior to your selection
7. Renewal Requirements:
  - a. Maintain a GPA of 3.0 or better on a minimum of 12 semester hours
  - b. Perform 25 hours of community service per semester
  - c. Correspond with the family of M as to their academic plan and progress

J has a school scholarship committee which considers applications from all students applying for the various scholarships available to the school. They select a group of five for your consideration. You interview the five and select one to three recipients.

K's counselor collects all the applications and forwards them to you. You filter out the top five for interviews. After interviewing all five, you select one to two recipients.

L seniors send applications directly to you. One recipient is selected.

Your fourth scholarship program is Y. You budget n dollars annually with a maximum annual scholarship of g dollars per student for two or four years.

1. Applicants come from a variety of sources. Some may be referrals from Board members, or former scholarship recipients looking for postgraduate support, or students who did not fit the exact profile of another of your scholarships but were impressive and in need of academic support.
2. Y program criteria are similar to W program criteria:
  - a. Demonstrated academic ability -- GPA of 3.0 is required to apply (continuing and/or graduate students must have a 2.5 GPA)
  - b. Financial need is a major consideration
  - c. Applicant must apply for a Pell grant but receipt is not a requirement.
  - d. Letters of recommendation from academic contacts
  - e. Must attend a E public university or college
3. Applications are submitted with supporting documentation and a personal interview is conducted.
4. A memo of recommendation is submitted to the Executive Director for his and the sitting board President's approval.
5. Renewal requirements:
  - a. Maintain a GPA of 2.5 or better on a minimum of 12 credit hours each semester
  - b. Must attend a E public university or college
  - c. Must not be the subject of the disciplinary action by the school

#### **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 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 programs 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. The effective date of our approval is October 7, 2016, which is the date your request was submitted.
- 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