

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

**Department of the Treasury**

Number: **201805016**  
Release Date: 2/2/2018

**Employer Identification Number:**

**Contact person - ID number:**

**Contact telephone number:**

**Date:** November 7, 2017

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 a scholarship program to help individuals who have a need to enter a different career path due to a life-changing illness of the individual or due to the individual's need to take care of a dependent with a medical or similar condition. The scholarship will enable recipients to pursue a new career without becoming a burden on family or public resources. Scholarships may be awarded for an advanced degree (masters or doctorate degree), a degree for a different undergraduate major than the individual obtained previously, or a technical degree.

You will publicize the scholarship through your network of scholarship recipients, who will be encouraged to recommend the program to others who might qualify. In addition, your board members will search for potential applicants from their network of contacts and, when appropriate, encourage such individuals to apply for a scholarship. You have not

yet developed an application but may do so in the future to allow you to collect pertinent information for purposes of selecting recipients.

Any individual experiencing a life changing illness or similar condition, or who has a dependent with a life changing illness or similar condition for whom the individual is a significant caregiver, will be eligible for a scholarship. In selecting recipients, you will give particular emphasis to criteria that relate to the program's purpose, for example, to applicants whose condition (or whose dependents' condition) is likely to last for an extended period. In addition, each applicant will need to demonstrate the degree they will pursue will enable them to change his/her lifestyle to better address the issues arising from the condition of the applicant or the applicant's dependent. In other words, the applicant will need to describe what they are striving for, why, and how the scholarship will help them accomplish their goal.

You will consider both individuals who are no longer able to pursue their current career due to their or their dependent's condition as well as individuals who could continue in their current careers but need to improve their earning capacity in the face of high medical and/or other bills. Relatives of members of the selection committee, or substantial contributors are not eligible.

Your board of directors will constitute the selection committee. You already selected the first scholarship recipient using the procedures outlined in this application but have withheld payment of funds pending approval of the program. You verified that this recipient is not a disqualified person.

You anticipate each scholarship will be "full-ride," to cover the recipient's full tuition, educational fees, books, and any equipment (such as a computer). You anticipate each scholarship will be awarded for the number of semesters necessary to complete a desired degree and a new recipient will not be selected until the prior recipient has either completed his/her degree or ceased pursuing a degree. In addition, in years when you have not identified a qualified applicant, you may award no scholarship. You will not require applicants to maintain a particular grade point average, other than the grade average stipulated by the applicable college or university for the applicant to remain a student in good standing and not on academic probation.

To the extent possible, you will pay all scholarship funds directly to the college or university under an arrangement whereby the college or university will apply the scholarship funds only for the applicant's education-related expenses while the applicant is enrolled as a student and is in good standing. For those items covered by a scholarship that cannot be paid directly through the college or university you will require the recipient to (a) preapprove the purchase of such items with you, (b) purchase such items themselves, and (c) seek reimbursement from you for such purchases.

When you are able to pay funds directly to the college or university, you will not obtain yearly reports of the recipient's courses and grades. When you are not able to pay all funds directly to the college or university, you will obtain a yearly report, verified by the

college or university, of the courses taken and the grade received by the scholarship recipient in each academic period.

When reports (or a failure to submit reports) or other information received by you indicate all or a portion of a scholarship is not being used for the intended purposes, you will cease distributing funds while you conduct an appropriate investigation. If you determine funds have not been used for an improper purpose, you will resume disbursements of funds to the recipient, including, if necessary, paying any educational expenses that normally would have been paid by you while the investigation was conducted. If you determine funds have been used for an improper purpose, you will take appropriate action to ensure payment of funds do not constitute a taxable expenditure.

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 diversion from occurring.

You represent that you will maintain the following: (1) all records relating to individual grants including information obtained to evaluate grantees, (2) identify whether 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