

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

Department of the Treasury

Release Number: **201822031**
Release Date: 6/1/2018
Date: **MARCH 7, 2018**

Employer Identification Number:

Contact person - ID number:

Contact telephone number:

LEGEND

UIL: 4945.04-04

U = Scholarship Program
V = Number of Scholarships
W = Local Newspaper
X = County
Y = State

z dollars = \$

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code Section 4945(g)(1). 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 operate a scholarship program called U.

You will provide V scholarships per year to be used for tuition and fees at an educational institution which has a regular faculty, curriculum, student body, and facility. You expect to award z dollars annually based on availability of funds for scholarship grants and the financial cost of attending an educational institution.

Scholarships will be publicized by counselors and teachers in local school districts. You will also publicize the scholarships through local print and online media such as W.

You will retain complete written records of these scholarships including:

- Information obtained to evaluate the qualification of a potential recipient
- The identification of recipients
- The completed application the recipient submitted
- The amount of each scholarship
- The dates of each scholarship payment
- Evaluation reports from the recipients

Eligible recipients must be high school students attending a public or private school in the X area of Y and complete an application. The scholarship application requests the following information:

- School currently attending and GPA
- FAFSA
- List of awards/honors received
- List of Community service activities
- List of work experiences
- Family data
- References
- Essays

Scholarships will be awarded based on the following criteria:

- The applicant being resilient in overcoming adversity or obstacles
- The applicant being resilient in persistence and perseverance
- The applicant having a deep sense of purpose
- The applicant having an internal need, desire, and commitment to help others
- The applicant willingness to engage passions and take action by getting involved with school or community groups or activities
- The applicant values guide decisions and behaviors towards collective and social good
- The applicant is compassionate and kind
- The applicant seeks new challenges, takes appropriate risks and pushes his/her comfort zone
- The applicant applies him/herself
- The applicant is driven and motivated to achieve personal goals
- The applicant actively seeks resources to further his/her goals
- The applicant is a creative problem-solver
- The applicant does not allow circumstances to define him/her

- The applicant is committed to learning as demonstrated by a willingness to take challenging courses, excel in one or more subject areas, overall academic achievement, or improvement in GPA over time
- The applicant is inquisitive

The scholarship funds will be paid directly to the school or student. The recipient must provide written progress at least once a semester.

In the event you determine any misuse of funds, you will take all reasonable and appropriate steps to recover any misused funds and delinquent reports.

You may create an advisory committee made up of local community leaders with educational expertise to assist in reviewing the scholarship applications. This committee will present finalists to your Board of Directors who will make the final decision.

You will not award any grants to any substantial contributors, officers or directors, or to members of the family of such person, or any other disqualified individual. Each member of the selection committee will disclose any personal knowledge of and relationship with any applicant under consideration and refrain from participation in the award process in a circumstance where he/she would derive, directly or indirectly, a private benefit.

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,

Steven A Martin
Director, Exempt Organizations
Rulings and Agreements