

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

Department of the Treasury

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Employer Identification Number:

Contact person - ID number:

Contact telephone number:

Date: March 15, 2018

LEGEND

UIL: 4945.04-04

X = Name

Y = Name

z dollars = Amount

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 provided in Code Section 117(b)).

Description of your request

Your letter indicates that you will operate an educational program called X. The purpose of X is to provide scholarships to recipients for tuition and related expenses at an educational institution of their choice described in Section 170(b)(1)(A)(ii) of the Code to complete a post high school education. The proceeds from X may only be used for the following:

- Tuition as well as required enrollment and attendance fees at a qualifying educational institution,
- Required books, supplies, and equipment,
- Room and board.

Furthermore, X may not be used as payment for teaching, and research. To publicize the availability of X, you will contact high school administrators and other relevant community institutions within Y who will inform students of X.

Recipients of Scholarship Awards must be (1) primary or secondary school students; (2) undergraduate or graduate students at a college or university who are pursuing studies or conducting research to meet the requirements for an academic or professional degree; or (3) students whether full-time or part-time — who receive a scholarship for study at an educational institution that provides an educational program acceptable for full credit toward a bachelor's or higher degree, or offers a training program to prepare students for gainful employment in a recognized occupation and is authorized under federal or state law to provide such a program and is accredited by a national recognized accreditation agency. Scholarship Awards must be used for tuition and related expenses at an educational institution described in IRC § 170(b)(1)(A)(ii), i.e., such institution must normally maintain a regular faculty and curriculum and must normally have a regularly organized body of students in attendance at the place where the educational activities are carried on. You reserve the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of Scholarships and the administration of such funds. Any substantial or material changes will be made only with approval of the Board.

In addition, you have the right to impose additional, minor reasonable restrictions and/or requirements upon the awarding of scholarships and the administration of such funds. Any substantial or material changes will be made only with your board's approval.

The amount of each award will be in the range of z dollars and you plan to vary the number of scholarships from year to year depending on the number of eligible applicants funding availability, and other funding priorities. The scholarships are not renewable.

The selection committee generally consisting of your board or your designees, will evaluate all applicants and select the recipients using criteria that may include, but are not limited to, the following:

- Prior academic performance,
- Performance on tests designed to measure ability and aptitude for educational work,
- Recommendations from instructors and others who have personal knowledge of the applicant's capabilities,
- Information regarding an applicant's career, academic and other relevant experiences,
- Financial need,

- Conclusions which the board may draw as to the applicant's motivation, character, ability, or potential.

The selection committee may also consider an applicant's place of residence, past or future attendance at a particular school, past or proposed course of study or evidence of the applicant's artistic, scientific or other unique talent.

All selection committee members are required to disclose any personal knowledge of and/or relationship with any potential scholarship recipient under consideration and to abstain from participation in the award process in circumstances where he or she would derive, directly or indirectly, a private benefit if any potential recipient or recipients are selected over others. You have the final authority in the selection process.

Scholarships will usually be paid directly to the educational institution for the use of the scholarship recipient. Each educational institution must agree in writing to use the award funds to defray the scholarship recipient's expenses or to pay the funds (or a portion thereof) to the recipient only if the recipient is enrolled at such educational institution and his or her standing at such educational institution is consistent with the purposes and conditions of the award.

If a recipient has previously received funds from you and you have concluded that any part of the award has been used for improper purposes, you will take all reasonable and appropriate steps to recover the scholarship funds and/or ensure restoration of the funds to the proper purposes of the award. This may include legal action where appropriate, but need not include legal action if such action would probably not result in the satisfaction of an execution on a judgment.

You will retain the following records about all scholarship awards: all information obtained to evaluate the qualifications of potential recipients, the identification of recipients (including any relationship of any recipient to a director), the purpose and amount of each award, and any additional information you obtain in complying with your procedures for X. You will also keep information relating to unsuccessful applicants for awards along with information on successful applicants.

Your records pertaining to any award made pursuant to these procedures will be kept for no less than three years after the filing of your annual tax return for the period in which the last installment of such award was paid.

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 scholarship grant to an individual for travel, study, or other similar purposes. However, a scholarship grant that meets all of the following requirements of Code Section 4945(g) is not a taxable expenditure.

- The foundation awards the scholarship grant on an objective and nondiscriminatory basis.

- The IRS approves in advance the procedure for awarding the scholarship grant.
- The grant is a scholarship or fellowship subject to the provisions of Code Section 117(a).
- The scholarship 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 scholarship program described above. This approval will apply to succeeding scholarship 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 scholarship 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 scholarship 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 scholarship 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